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 March 31, 2020

☐ **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 001-11294

Unum Group

(Exact name of registrant as specified in its charter)

Delaware	**62-1598430**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Fountain Square **Chattanooga, Tennessee**	**37402**
(Address of principal executive offices)	(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 [X] 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 [X] 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.
(Check one):

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 Act). Yes ☐ No ☒

203,420,459 shares of the registrant's common stock were outstanding as of May 1, 2020.

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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:

- The impact of the COVID-19 pandemic on our business, financial position, results of operations, liquidity and capital resources, and overall business operations.
- 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.
- 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 or enforcement of, 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 develop digital capabilities or execute on our technology systems upgrades or replacements.
- Actual experience in the broad array of our products that deviates from our assumptions used in pricing, underwriting, and reserving.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- 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.
- Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2019.

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

	March 31 2020	December 31 2019
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (net of allowance for credit losses of $48.0; $—; amortized cost of $41,030.3; $41,079.3)	$ 45,291.5	$ 47,443.7
Mortgage Loans (net of allowance for credit losses of $11.1; $—)	2,452.1	2,397.0
Policy Loans	3,743.5	3,779.5
Other Long-term Investments	917.5	844.2
Short-term Investments	1,384.4	1,294.5
Total Investments	53,789.0	55,758.9
Other Assets		
Cash and Bank Deposits	337.2	84.1
Accounts and Premiums Receivable (net of allowance for credit losses of $32.6; $10.3)	1,639.6	1,602.9
Reinsurance Recoverable (net of allowance for credit losses of $1.8; $—)	4,666.2	4,780.7
Accrued Investment Income	748.5	693.0
Deferred Acquisition Costs	2,333.3	2,324.0
Goodwill	348.8	351.7
Property and Equipment	540.7	534.1
Deferred Income Tax	47.3	—
Other Assets	885.3	884.0
Total Assets	$ 65,335.9	$ 67,013.4

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	March 31 2020	December 31 2019
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	$ 1,760.3	$ 1,745.5
Reserves for Future Policy and Contract Benefits	45,706.5	47,780.1
Unearned Premiums	414.1	363.9
Other Policyholders' Funds	1,599.3	1,599.7
Income Tax Payable	268.9	256.7
Deferred Income Tax	93.7	95.4
Short-term Debt	399.8	399.7
Long-term Debt	2,914.3	2,926.9
Payables for Collateral on Investments	511.4	24.0
Other Liabilities	1,864.5	1,856.5
Total Liabilities	55,532.8	57,048.4
Commitments and Contingent Liabilities - Note 11		
Stockholders' Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 306,201,660 and 305,813,326 shares	30.6	30.6
Additional Paid-in Capital	2,357.3	2,348.1
Accumulated Other Comprehensive Income (Loss)	(217.1)	37.3
Retained Earnings	10,812.0	10,728.7
Treasury Stock - at cost: 102,876,514 shares	(3,179.7)	(3,179.7)
Total Stockholders' Equity	9,803.1	9,965.0
Total Liabilities and Stockholders' Equity	$ 65,335.9	$ 67,013.4

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars, except share data)	
Revenue		
Premium Income	$ 2,371.4	$ 2,338.7
Net Investment Income	585.0	594.7
Net Realized Investment Gain (Loss)	(144.0)	1.1
Other Income	58.7	53.1
Total Revenue	2,871.1	2,987.6
Benefits and Expenses		
Benefits and Change in Reserves for Future Benefits	1,854.8	1,840.8
Commissions	279.2	290.1
Interest and Debt Expense	45.7	42.1
Deferral of Acquisition Costs	(162.0)	(173.7)
Amortization of Deferred Acquisition Costs	176.2	170.6
Compensation Expense	239.5	226.5
Other Expenses	235.6	237.9
Total Benefits and Expenses	2,669.0	2,634.3
Income Before Income Tax	202.1	353.3
Income Tax Expense (Benefit)		
Current	57.6	54.3
Deferred	(16.5)	18.1
Total Income Tax Expense	41.1	72.4
Net Income	$ 161.0	$ 280.9
Net Income Per Common Share		
Basic	$ 0.79	$ 1.31
Assuming Dilution	$ 0.79	$ 1.31

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Net Income	$ 161.0	$ 280.9
Other Comprehensive Income (Loss)		
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of $(436.5); $326.8)	(1,666.7)	1,245.1
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of $380.8; $(245.5))	1,446.1	(932.8)
Change in Net Gain on Hedges (net of tax expense (benefit) of $6.6; $(5.8))	22.8	(20.5)
Change in Foreign Currency Translation Adjustment (net of tax expense of $2.1; $0.3)	(63.6)	17.3
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of $1.9; $0.7)	7.0	2.8
Total Other Comprehensive Income (Loss)	(254.4)	311.9
Comprehensive Income (Loss)	$ (93.4)	$ 592.8

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	$ 30.6	$ 30.5
Additional Paid-in Capital		
Balance at Beginning of Year	2,348.1	2,321.7
Common Stock Activity	9.2	6.8
Balance at End of Period	2,357.3	2,328.5
Accumulated Other Comprehensive Income (Loss)		
Balance at Beginning of Year	37.3	(814.2)
Other Comprehensive Income (Loss)	(254.4)	311.9
Balance at End of Period	(217.1)	(502.3)
Retained Earnings		
Balance at Beginning of Year	10,728.7	9,863.1
Adjustment to Adopt Accounting Standard Update - Note 2	(18.9)	(3.4)
Balance at Beginning of Year, as Adjusted	10,709.8	9,859.7
Net Income	161.0	280.9
Dividends to Stockholders (per common share: $0.285; $0.260)	(58.8)	(57.5)
Balance at End of Period	10,812.0	10,083.1
Treasury Stock		
Balance at Beginning of Year	(3,179.7)	(2,779.3)
Purchases of Treasury Stock	—	(100.0)
Balance at End of Period	(3,179.7)	(2,879.3)
Total Stockholders' Equity at End of Period	$ 9,803.1	$ 9,060.5

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$ 161.0	$ 280.9
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(8.7)	(10.7)
Change in Deferred Acquisition Costs	14.2	(3.1)
Change in Insurance Reserves and Liabilities	67.5	90.7
Change in Income Taxes	24.9	253.1
Change in Other Accrued Liabilities	(121.3)	(35.8)
Non-cash Components of Net Investment Income	(92.5)	(95.6)
Net Realized Investment (Gain) Loss	144.0	(1.1)
Depreciation	28.5	27.4
Other, Net	2.3	11.0
Net Cash Provided by Operating Activities	219.9	516.8
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	120.7	361.0
Proceeds from Maturities of Fixed Maturity Securities	414.3	369.6
Proceeds from Sales and Maturities of Other Investments	48.5	133.3
Purchases of Fixed Maturity Securities	(780.5)	(822.0)
Purchases of Other Investments	(144.2)	(53.2)
Net Sales (Purchases) of Short-term Investments	15.5	(217.9)
Net Increase (Decrease) in Payables for Collateral on Investments	487.4	(107.9)
Net Purchases of Property and Equipment	(39.1)	(28.1)
Net Cash Provided (Used) by Investing Activities	122.6	(365.2)
Cash Flows from Financing Activities		
Long-term Debt Repayment	(15.0)	(15.0)
Issuance of Common Stock	1.3	1.4
Repurchase of Common Stock	—	(100.0)
Dividends Paid to Stockholders	(57.8)	(55.7)
Other, Net	(17.9)	(14.2)
Net Cash Used by Financing Activities	(89.4)	(183.5)
Net Increase (Decrease) in Cash and Bank Deposits	253.1	(31.9)
Cash and Bank Deposits at Beginning of Year	84.1	94.0
Cash and Bank Deposits at End of Period	$ 337.2	$ 62.1

See notes to consolidated financial statements.

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, 2019.

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, particularly when considering the risks and uncertainties associated with the coronavirus disease 2019 (COVID-19) and the impacts it may have on our financial position, results of operations, liquidity and capital resources, and overall business operations.

Note 2 - Accounting Developments

Accounting Updates Adopted in 2020:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 350 "Intangibles - Goodwill and Other"	This update eliminated 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. This guidance was applied in the period of adoption.	January 1, 2020	The adoption of this update did not have an effect on our financial position or results of operations.
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 removed the discussion regarding valuation processes of Level 3 fair value measurements. The update modified 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 added 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 both retrospectively and prospectively, depending on the specific requirement of the update.	December 31, 2018 for the removal and modification of certain disclosures and January 1, 2020 for the addition of certain disclosures.	The adoption of this update modified our disclosures but did not have an impact on our financial position or results of operations.
ASC 326 "Financial Instruments - Credit Losses"	This update amended the guidance on the impairment of financial instruments. The update added 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 modified 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 are also required, including information used to develop the allowance for losses. The guidance was applied 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 was applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed. This guidance was applied in the period of adoption.	January 1, 2020	See the summary table below for the financial statement impacts of this adoption on our financial statement line items at January 1, 2020, as well as the required update to our significant accounting policies. In addition, see Note 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for the additional disclosures required by the update.

Note 2 - Accounting Developments - Continued

Summary of Financial Statement Impacts of Accounting Updates Adopted in 2020:

	Balance at December 31, 2019	Balance at January 1, 2020	Effect of Change
		(in millions of dollars)	
Adjustments due to ASC 326			
Consolidated Balance Sheets			
Assets			
Mortgage Loans	$ 2,397.0	$ 2,388.7	$ (8.3)
Reinsurance Recoverable	4,780.7	4,778.9	(1.8)
Accounts and Premiums Receivable	1,602.9	1,589.4	(13.5)
Liabilities			
Deferred Income Tax	95.4	90.4	(5.0)
Other Liabilities	1,856.5	1,856.8	0.3
Stockholders' Equity			
Retained Earnings	10,728.7	10,709.8	(18.9)

In accordance with the January 1, 2020 implementation of updates to Accounting Standards Codification (ASC) 326 "Financial Instruments - Credit Losses", we have added the following discussion regarding our accounting policies on the allowance for current expected credit losses to our significant accounting policies.

Allowance for Current Expected Credit Losses: We establish an allowance for current expected credit losses on certain of our financial assets, which is deducted from the amortized cost of applicable investments and the gross amount of applicable receivables, to present the net amount we expect to collect on these financial assets. The allowance is forward-looking in nature and is calculated based on considerations regarding both historical events and future expectations. Periodic changes in the allowance are recorded through earnings.

The allowance on our premiums receivable is primarily determined using an aging analysis as well as historical lapse and delinquency rates by line of business, adjusted for key factors that may impact our future expectation of premium receipts such as changes in customer demographics, business practices, economic conditions, and product offerings. We write off premiums receivable amounts when determined to be uncollectable, which is based on various factors, including the aging of premiums receivable past the due date and specific communication with customers. At January 1, 2020 and March 31, 2020, the allowance for expected credit losses on premium receivables was $23.8 million and $32.6 million, respectively, on gross premium receivables of $543.0 million and $607.2 million, respectively. The allowance at January 1, 2020 includes amounts that were previously established at December 31, 2019. The increase in the allowance during the first quarter of 2020 was driven primarily by the uncertainty of collectability resulting from the impacts of COVID-19. The primary factors considered in establishing the additional allowance were the recent increase in unemployment levels and the general uncertainty around the financial condition of some of our customers. There was no significant write-off or recovery activity during the first quarter of 2020.

The allowance for our reinsurance recoverable balance is determined using a probability of default approach which incorporates key inputs and assumptions regarding historical insurer liquidation rates, counterparty credit ratings, and collateral received. Liquidation rates are derived from rating agency studies covering domestic insurers and are based on historical liquidation trends according to their respective credit ratings. When calculating our allowance, we apply these liquidation rates to the net amount of our credit exposure, which considers collateral arrangements such as letters of credit. We evaluate the factors used to determine our allowance on a quarterly basis to consider material changes in our assumptions and make adjustments accordingly. At both January 1, 2020 and March 31, 2020, the allowance for expected credit losses on reinsurance recoverables was $1.8 million.

Note 2 - Accounting Developments - Continued

See Note 4 for discussion on the allowance for current expected credit losses regarding our commercial mortgage loans and the allowance for credit losses for our available-for-sale fixed maturity securities.

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

Effective January 1, 2019, we adopted an update under ASC 842 that changed the accounting and disclosure requirements 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 reduction to retained earnings of $3.4 million 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.

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
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.
ASC 740 "Income Taxes"	The amendments in this update simplify the accounting for income taxes by removing certain exceptions in the guidance related to the following: 1. losses in continuing operations when there is income in other items, 2. foreign subsidiaries becoming equity method investments and vice versa, and 3. year-to-date interim period losses exceeding anticipated loss for the year. The amendments also simplify the accounting for income taxes related to the following: 1. franchise taxes partially based on income, 2. step up in the tax basis of goodwill, 3. allocation of tax expense to entities not subject to tax, 4. enacted changes in tax law or rates in interim periods, and 5. employee stock ownership programs and investments in qualified affordable housing projects accounted for using the equity method.	January 1, 2021	We have not yet determined the expected impact on our financial position or results of operations.

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	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.	January 1, 2022	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.
ASC 848 "Reference Rate Reform"	The amendments in this update provide optional guidance, for a limited period of time, to ease the potential burden in accounting for and recognizing the effects of reference rate reform on financial reporting. The guidance allows for various practical expedients and exceptions when applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. Specifically, the guidance provides certain practical expedients for contract modifications, fair value hedges, and cash flow hedges and also provides certain exceptions related to changes in the critical terms of a hedging relationship. The guidance also allows for a one-time election to sell or transfer debt securities that were both classified as held-to-maturity prior to January 1, 2020 and reference a rate affected by the reform.	Adoption is permitted as of the beginning of the interim period that includes March 12, 2020 (the issuance date of the update), or any date thereafter, through December 31, 2022, at which point the guidance will sunset.	We have not yet determined the impact on our financial position or results of operations if we elect to adopt this guidance.

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.

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

Note 3 - Fair Values of Financial Instruments - Continued

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 2020, 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 2019.

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	Analysis of similar bonds, adjusted for comparability
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Foreign Governments		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	
	Call provisions	
Public Utilities		
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

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Public Utilities - Continued		
	Non-binding broker quotes	Analysis of similar bonds, adjusted for comparability
	Benchmark yields	Discount for size - illiquidity
	Transactional data for new issuances and secondary trades	Volatility of credit
	Security cash flows and structures	Lack of marketability
	Recent issuance / supply	
	Audited financial statements	
	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
	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	

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
All Other Corporate Bonds - Continued		
	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	
Perpetual Preferred and 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	

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 market 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

Note 3 - Fair Values of Financial Instruments - Continued

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 March 31, 2020, approximately 17.2 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 82.8 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below:

- 69.4 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.

- 9.5 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.

- 3.9 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.

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.

Note 3 - Fair Values of Financial Instruments - Continued

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:

		March 31, 2020		
Investment Category		Fair Value	Redemption Term / Redemption Notice	Unfunded Commitments
		(in millions of dollars)		(in millions of dollars)
Private Credit	(a)	$ 233.5	Not redeemable	$ 141.6
		37.3	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	3.0
Total Private Credit		270.8		144.6
Private Equity	(b)	168.0	Not redeemable	209.2
Real Assets	(c)	168.9	Not redeemable	145.2
		30.4	Quarterly / 90 days notice	25.0
Total Real Assets		199.3		170.2
Total Partnerships		$ 638.1		$ 524.0

		December 31, 2019		
Investment Category		Fair Value	Redemption Term / Redemption Notice	Unfunded Commitments
		(in millions of dollars)		(in millions of dollars)
Private Credit	(a)	$ 223.6	Not redeemable	$ 152.6
		39.6	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	0.1
Total Private Credit		263.2		152.7
Private Equity	(b)	149.3	Not redeemable	166.8
Real Assets	(c)	173.8	Not redeemable	130.6
		30.4	Quarterly / 90 days notice	25.0
Total Real Assets		204.2		155.6
Total Partnerships		$ 616.7		$ 475.1

Note 3 - Fair Values of Financial Instruments - Continued

(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. As of March 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 41 percent in the next 3 years, 23 percent during the period from 3 to 5 years, 34 percent during the period from 5 to 10 years, and 2 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. As of March 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 31 percent in the next 3 years, 23 percent during the period from 3 to 5 years, 44 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. As of March 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 1 percent in the next 3 years, 14 percent during period from 3 to 5 years and 85 percent during the period from 5 to 10 years.

We record changes in our share of net asset value of the partnerships in net investment income. We receive financial information related to our investments in partnerships generally on a one-quarter lag in accordance with our accounting policy. We estimate that we will recognize losses totaling approximately $30 million to $50 million, or approximately 5 to 8 percent of the carrying value of our portfolio, in the second quarter of 2020 as we receive financial statements from the partnerships for the first quarter of 2020 that will reflect the impact of current economic conditions. During the first quarter of 2020, U.S. equity markets were severely depressed as a result of COVID-19 and although our partnership investments are not directly correlated with those markets, their results were impacted.

Note 3 - Fair Values of Financial Instruments - Continued

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

	March 31, 2020				
	Level 1	Level 2	Level 3	NAV	Total
	(in millions of dollars)				
Assets					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	$ 109.7	$ 1,273.0	$ —	$ —	$ 1,382.7
States, Municipalities, and Political Subdivisions	—	3,616.1	31.3	—	3,647.4
Foreign Governments	—	937.4	20.9	—	958.3
Public Utilities	311.7	7,212.9	26.3	—	7,550.9
Mortgage/Asset-Backed Securities	—	1,370.6	75.1	—	1,445.7
All Other Corporate Bonds	7,391.2	22,319.9	553.0	—	30,264.1
Redeemable Preferred Stocks	—	42.4	—	—	42.4
Total Fixed Maturity Securities	7,812.6	36,772.3	706.6	—	45,291.5
Other Long-term Investments					
Derivatives					
Interest Rate Swaps	—	0.9	—	—	0.9
Forwards	—	0.4	—	—	0.4
Foreign Exchange Contracts	—	85.3	—	—	85.3
Credit Default Swaps	—	1.3	—	—	1.3
Total Derivatives	—	87.9	—	—	87.9
Perpetual Preferred and Equity Securities	4.7	5.6	4.6	—	14.9
Private Equity Partnerships	—	—	—	638.1	638.1
Total Other Long-term Investments	4.7	93.5	4.6	638.1	740.9
Total Financial Instrument Assets Carried at Fair Value	$ 7,817.3	$ 36,865.8	$ 711.2	$ 638.1	$ 46,032.4
Liabilities					
Other Liabilities					
Derivatives					
Foreign Exchange Contracts	$ —	$ 32.6	$ —	$ —	$ 32.6
Embedded Derivative in Modified Coinsurance Arrangement	—	—	109.7	—	109.7
Total Derivatives	—	32.6	109.7	—	142.3
Total Financial Instrument Liabilities Carried at Fair Value	$ —	$ 32.6	$ 109.7	$ —	$ 142.3

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 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	$ 412.8	$ 988.9	$ —	$ —	$ 1,401.7
States, Municipalities, and Political Subdivisions	—	3,321.6	41.8	—	3,363.4
Foreign Governments	—	995.9	21.8	—	1,017.7
Public Utilities	171.1	7,546.5	14.6	—	7,732.2
Mortgage/Asset-Backed Securities	—	1,444.6	34.1	—	1,478.7
All Other Corporate Bonds	4,114.4	27,695.5	600.5	—	32,410.4
Redeemable Preferred Stocks	—	39.6	—	—	39.6
Total Fixed Maturity Securities	4,698.3	42,032.6	712.8	—	47,443.7
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	27.0	—	—	27.0
Credit Default Swaps	—	0.5	—	—	0.5
Total Derivatives	—	27.5	—	—	27.5
Perpetual Preferred and Equity Securities	—	28.0	4.6	—	32.6
Private Equity Partnerships	—	—	—	616.7	616.7
Total Other Long-term Investments	—	55.5	4.6	616.7	676.8
Total Financial Instrument Assets Carried at Fair Value	$ 4,698.3	$ 42,088.1	$ 717.4	$ 616.7	$ 48,120.5
Liabilities					
Other Liabilities					
Derivatives					
Interest Rate Swaps	$ —	$ 0.6	$ —	$ —	$ 0.6
Foreign Exchange Contracts	—	34.0	—	—	34.0
Embedded Derivative in Modified Coinsurance Arrangement	—	—	22.8	—	22.8
Total Derivatives	—	34.6	22.8	—	57.4
Total Financial Instrument Liabilities Carried at Fair Value	$ —	$ 34.6	$ 22.8	$ —	$ 57.4

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 March 31, 2020								
		Total Realized and Unrealized Investment Gains (Losses) in				Level 3 Transfers			
	Fair Value Beginning of Year	Earnings	OCI (1)	Purchases	Sales	Into	Out of	Fair Value End of Period	Change in Unrealized Gain (Loss) on Securities Held at the End of Period included in OCI
	(in millions of dollars)								
Fixed Maturity Securities									
States, Municipalities, and Political Subdivisions	$ 41.8	$ —	$ 2.8	$ —	$ —	$ —	$ (13.3)	$ 31.3	$ 2.9
Foreign Governments	21.8	—	(0.9)	—	—	—	—	20.9	(0.9)
Public Utilities	14.6	—	(0.3)	—	—	18.0	(6.0)	26.3	—
Mortgage/Asset-Backed Securities	34.1	—	(0.8)	—	—	49.2	(7.4)	75.1	(0.2)
All Other Corporate Bonds	600.5	—	(50.6)	20.9	—	236.2	(254.0)	553.0	(2.2)
Total Fixed Maturity Securities	712.8	—	(49.8)	20.9	—	303.4	(280.7)	706.6	(0.4)
Equity Securities	4.6	—	—	—	—	—	—	4.6	
Embedded Derivative in Modified Coinsurance Arrangement	(22.8)	(86.9)	—	—	—	—	—	(109.7)	

(1) Other Comprehensive Income (Loss)

Note 3 - Fair Values of Financial Instruments - Continued

	Three Months Ended March 31, 2019							
		Total Realized and Unrealized Investment Gains (Losses) in				Level 3 Transfers		
	Fair Value Beginning of Year	Earnings	OCI	Purchases	Sales	Into	Out of	Fair Value End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
Foreign Governments	$ 31.4	$ —	$ 0.2	$ —	$ —	$ —	$ —	$ 31.6
Public Utilities	84.7	—	7.9	—	(0.4)	208.6	(76.8)	224.0
All Other Corporate Bonds	1,495.8	—	13.3	—	(29.4)	36.1	(1,019.8)	496.0
Redeemable Preferred Stocks	21.1	—	(0.1)	—	—	—	—	21.0
Total Fixed Maturity Securities	1,633.0	—	21.3	—	(29.8)	244.7	(1,096.6)	772.6
Equity Securities	4.6	—	—	—	—	—	—	4.6
Embedded Derivative in Modified Coinsurance Arrangement	(31.1)	5.5	—	—	—	—	—	(25.6)

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 each period end were $(86.9) million and $5.5 million for the three months ended March 31, 2020 and 2019, respectively, and 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.

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. Unobservable inputs for fixed maturity securities are weighted by the fair value of the securities. 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.

	March 31, 2020				
	Fair Value	Valuation Method	Unobservable Input		Range/Weighted Average
	(in millions of dollars)				
Fixed Maturity Securities					
All Other Corporate Bonds - Private	$ 105.9	Market Approach	Lack of Marketability Volatility of Credit Market Convention	(a) (b) (c)	0.20% - 0.20% / 0.20% 0.08% - 6.94% / 0.7% 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	(109.7)	Discounted Cash Flows	Projected Liability Cash Flows Weighted Spread of Swap Curve	(d)	Actuarial Assumptions 2.4%

	December 31, 2019				
	Fair Value	Valuation Method	Unobservable Input		Range/Weighted Average
	(in millions of dollars)				
Fixed Maturity Securities					
All Other Corporate Bonds - Private	$ 119.2	Market Approach	Lack of Marketability Volatility of Credit Market Convention	(a) (b) (c)	4.56% - 4.56% / 4.56% 0.35% - 17.68% / 2.2% 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	(22.8)	Discounted Cash Flows	Projected Liability Cash Flows Weighted Spread of Swap Curve	(d)	Actuarial Assumptions 0.8%

(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. Fair value of embedded derivative is most often driven by the change in the weighted average credit spread to the swap curve for the assets backing the hypothetical loan.

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.

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 $3,451.9 million and $3,490.6 million as of March 31, 2020 and December 31, 2019, 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 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.

Federal Home Loan Bank (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.

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:

	March 31, 2020				
	Estimated Fair Value				
	Level 1	Level 2	Level 3	Total	Carrying Value
	(in millions of dollars)				
Assets					
Mortgage Loans	$ —	$ 2,498.1	$ —	$ 2,498.1	$ 2,452.1
Policy Loans	—	—	3,910.9	3,910.9	3,743.5
Other Long-term Investments					
Miscellaneous Long-term Investments	—	34.0	51.1	85.1	85.1
Total Financial Instrument Assets Not Carried at Fair Value	$ —	$ 2,532.1	$ 3,962.0	$ 6,494.1	$ 6,280.7
Liabilities					
Long-term Debt	$ 1,677.8	$ 1,136.3	$ —	$ 2,814.1	$ 2,914.3
Payables for Collateral on Investments					
Federal Home Loan Bank (FHLB) Funding Agreements	—	451.7	—	451.7	451.7
Other Liabilities					
Unfunded Commitments	—	1.9	—	1.9	1.9
Total Financial Instrument Liabilities Not Carried at Fair Value	$ 1,677.8	$ 1,589.9	$ —	$ 3,267.7	$ 3,367.9

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2019				
	Estimated Fair Value				
	Level 1	Level 2	Level 3	Total	Carrying Value
	(in millions of dollars)				
Assets					
Mortgage Loans	$ —	$ 2,556.3	$ —	$ 2,556.3	$ 2,397.0
Policy Loans	—	—	3,911.4	3,911.4	3,779.5
Other Long-term Investments					
Miscellaneous Long-term Investments	—	18.5	58.4	76.9	76.9
Total Financial Instrument Assets Not Carried at Fair Value	$ —	$ 2,574.8	$ 3,969.8	$ 6,544.6	$ 6,253.4
Liabilities					
Long-term Debt	$ 1,712.8	$ 1,526.2	$ —	$ 3,239.0	$ 2,926.9
Other Liabilities					
Unfunded Commitments	—	1.9	—	1.9	1.9
Total Financial Instrument Liabilities Not Carried at Fair Value	$ 1,712.8	$ 1,528.1	$ —	$ 3,240.9	$ 2,928.8

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 March 31, 2020 and December 31, 2019, 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:

	March 31, 2020			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$ 1,155.6	$ 227.1	$ —	$ 1,382.7
States, Municipalities, and Political Subdivisions	3,129.0	528.2	9.8	3,647.4
Foreign Governments	786.3	174.2	2.2	958.3
Public Utilities	6,361.7	1,231.6	42.4	7,550.9
Mortgage/Asset-Backed Securities	1,316.7	129.9	0.9	1,445.7
All Other Corporate Bonds	28,238.0	3,037.4	1,011.3	30,264.1
Redeemable Preferred Stocks	43.0	—	0.6	42.4
Total Fixed Maturity Securities	$ 41,030.3	$ 5,328.4	$ 1,067.2	$ 45,291.5

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$ 1,246.1	$ 156.0	$ 0.4	$ 1,401.7
States, Municipalities, and Political Subdivisions	2,863.1	507.6	7.3	3,363.4
Foreign Governments	843.5	175.2	1.0	1,017.7
Public Utilities	6,436.7	1,303.7	8.2	7,732.2
Mortgage/Asset-Backed Securities	1,377.8	101.3	0.4	1,478.7
All Other Corporate Bonds	28,273.1	4,211.2	73.9	32,410.4
Redeemable Preferred Stocks	39.0	0.6	—	39.6
Total Fixed Maturity Securities	$ 41,079.3	$ 6,455.6	$ 91.2	$ 47,443.7

Note 4 - Investments - Continued

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

	March 31, 2020			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
States, Municipalities, and Political Subdivisions	$ 299.5	$ 9.8	$ 0.1	$ —
Foreign Governments	4.1	2.2	—	—
Public Utilities	671.9	37.4	36.2	5.0
Mortgage/Asset-Backed Securities	43.7	0.9	0.1	—
All Other Corporate Bonds	7,238.3	935.1	119.1	76.2
Redeemable Preferred Stocks	22.4	0.6	—	—
Total Fixed Maturity Securities	$ 8,279.9	$ 986.0	$ 155.5	$ 81.2

	December 31, 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	$ 110.2	$ 0.4	$ —	$ —
States, Municipalities, and Political Subdivisions	331.0	7.3	0.3	—
Foreign Governments	69.4	1.0	—	—
Public Utilities	168.3	2.6	37.0	5.6
Mortgage/Asset-Backed Securities	47.0	0.4	3.1	—
All Other Corporate Bonds	579.1	29.1	379.8	44.8
Total Fixed Maturity Securities	$ 1,305.0	$ 40.8	$ 420.2	$ 50.4

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.

	March 31, 2020				
	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	$ 1,106.9	$ 19.8	$ 1,055.1	$ 3.0	$ 68.6
Over 1 year through 5 years	6,322.2	343.6	4,963.1	182.4	1,520.3
Over 5 years through 10 years	13,288.5	1,207.3	10,271.5	416.1	3,808.2
Over 10 years	18,996.0	3,627.8	19,164.5	464.8	2,994.5
	39,713.6	5,198.5	35,454.2	1,066.3	8,391.6
Mortgage/Asset-Backed Securities	1,316.7	129.9	1,401.9	0.9	43.8
Total Fixed Maturity Securities	$ 41,030.3	$ 5,328.4	$ 36,856.1	$ 1,067.2	$ 8,435.4

	December 31, 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	$ 821.5	$ 14.5	$ 832.6	$ 0.2	$ 3.2
Over 1 year through 5 years	6,286.2	456.5	6,423.4	41.7	277.6
Over 5 years through 10 years	13,570.8	1,688.3	14,881.3	14.6	363.2
Over 10 years	19,023.0	4,195.0	22,152.6	34.3	1,031.1
	39,701.5	6,354.3	44,289.9	90.8	1,675.1
Mortgage/Asset-Backed Securities	1,377.8	101.3	1,428.6	0.4	50.1
Total Fixed Maturity Securities	$ 41,079.3	$ 6,455.6	$ 45,718.5	$ 91.2	$ 1,725.2

The following chart depicts an analysis of our fixed maturity security portfolio between investment-grade and below-investment-grade categories as of March 31, 2020:

			Gross Unrealized Loss	
	Fair Value	Gross Unrealized Gain	Amount	Percent of Total Gross Unrealized Loss
	(in millions of dollars)			
Investment-Grade	$ 42,303.1	$ 5,273.9	$ 650.2	60.9 %
Below-Investment-Grade	2,988.4	54.5	417.0	39.1
Total Fixed Maturity Securities	$ 45,291.5	$ 5,328.4	$ 1,067.2	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 March 31, 2020, 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

Note 4 - Investments - Continued

which we have not recorded a credit loss will recover in value. We have the ability and intend to continue to hold these securities to recovery of amortized cost and believe that no credit losses have occurred.

As of March 31, 2020, we held 336 individual investment-grade fixed maturity securities and 127 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 8 investment-grade fixed maturity securities and 14 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 represents a credit loss, 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
- 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 whether a credit loss exists 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 credit losses on a timely basis for investments determined to have a credit loss. As of March 31, 2020, we determined that a credit loss had occurred for securities we owned related to three separate issuers. We do not intend to sell these securities and it is not more likely than not that we will be required to sell these securities before recovery of our estimated value. For these securities, which are included within "All Other Corporate Bonds" in the preceding charts, we recorded an allowance for credit losses totaling $48.0 million based on the present value of our best estimate of cash flows expected to be collected, discounted using the effective interest rate implicit in the security at the date of acquisition. When estimating future cash flows, we analyze the strength of the issuer’s balance sheet, its debt obligations and near-term funding arrangements, cash flow and liquidity, the profitability of its core businesses, the availability of marketable assets which could be sold to increase liquidity, its industry fundamentals and regulatory environment, and its access to capital markets. We also recorded credit losses of $5.9 million in the first quarter of 2020 to write-down the amortized cost to fair value for securities related to two separate issuers that we intend to sell.

At March 31, 2020, we had commitments of $88.8 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.

Note 4 - Investments - Continued

As of March 31, 2020, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was $689.2 million, comprised of $51.1 million of tax credit partnerships and $638.1 million of private equity partnerships. At December 31, 2019, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was $675.1 million, comprised of $58.4 million of tax credit partnerships and $616.7 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 income are as follows:

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Income Tax Credits	$ 8.3	$ 9.4
Amortization, Net of Tax	(5.5)	(6.8)
Income Tax Benefit	$ 2.8	$ 2.6

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 $1.9 million of unfunded unconditional commitments at March 31, 2020. See Note 3 for commitments to fund private equity partnerships.

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.

We adopted new accounting guidance that requires us to estimate an allowance for expected credit losses effective January 1, 2020. We carry our mortgage loans at amortized cost less the allowance for expected credit losses. The amortized cost of our mortgage loans was $2,463.2 million and $2,397.0 million at March 31, 2020 and December 31, 2019, respectively. The allowance for expected credit losses was $11.1 million at March 31, 2020. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. We report accrued interest income for our mortgage loans as accrued investment income on our consolidated balance sheet, and the amount of the accrued income was $8.5 million and $8.3 million at March 31, 2020 and December 31, 2019, respectively.

Note 4 - Investments - Continued

The carrying amount of mortgage loans by property type and geographic region are presented below.

	March 31, 2020		December 31, 2019	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Property Type				
Apartment	$ 645.1	26.3 %	$ 608.8	25.4 %
Industrial	613.0	25.0	623.6	26.0
Office	543.0	22.1	549.3	22.9
Retail	603.8	24.7	567.5	23.7
Other	47.2	1.9	47.8	2.0
Total	$ 2,452.1	100.0 %	$ 2,397.0	100.0 %
Region				
New England	$ 41.4	1.7 %	$ 28.9	1.2 %
Mid-Atlantic	208.4	8.5	184.5	7.7
East North Central	346.9	14.1	329.2	13.7
West North Central	212.0	8.6	215.4	9.0
South Atlantic	506.2	20.7	509.2	21.2
East South Central	113.0	4.6	114.3	4.8
West South Central	265.3	10.8	246.6	10.3
Mountain	256.1	10.4	268.2	11.2
Pacific	502.8	20.6	500.7	20.9
Total	$ 2,452.1	100.0 %	$ 2,397.0	100.0 %

The risk in our mortgage loan portfolio is primarily related to vacancy rates. Events or developments, such as economic conditions that impact the ability of the borrowers to ensure occupancy of the property, may have a negative effect on our mortgage loan portfolio, particularly to the extent that our portfolio is concentrated in an affected region or property type. An increase in vacancies increases the probability of default, which would negatively affect our expected losses in our mortgage loan portfolio.

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

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

Note 4 - Investments - Continued

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.

We estimate an allowance for credit losses that we expect to incur over the life of our mortgage loans using a probability of default method. For each loan, we estimate the probability that the loan will default before its maturity (probability of default) and the amount of the loss if the loan defaults (loss given default). These two factors result in an expected loss percentage that is applied to the amortized cost of each loan to determine the expected credit loss. As we are the original underwriter of the mortgage loans, the amortized cost generally equals the principal amount of the loan. We measure losses on defaults of our mortgage loans as the excess amortized cost of the mortgage loan over the fair value of the underlying collateral in the event that we foreclose on the loan or over the expected future cash flows of the loan if we retain the mortgage loan until payoff. We do not purchase mortgage loans with existing credit impairments.

In estimating the probability of default, we consider historical experience, current market conditions, and reasonable and supportable forecasts about the future market conditions. We utilize our historical loan experience in combination with a large third-party industry database for a period of time that aligns with the average life of our loans based on the maturity dates of the loans and prepayment experience. Our model utilizes an industry database of the historical loss experience based on our actual portfolio characteristics such as loan-to-value, debt service coverage, collateral type, geography, and late payment history. In addition, because we actively manage our portfolio, we may extend the term of a loan in certain situations and will accordingly extend the maturity date in the estimate of probability of default. In estimating the loss given default, we primarily consider the type and value of collateral and secondarily the expected liquidation costs and time to recovery.

The primary market factors that we consider in our forecast of future market conditions are gross domestic product, unemployment rates, interest rates, inflation, commercial real estate values, household formation, and retail sales. We also forecast certain loan specific factors such as growth in the fair value and net operating income of collateral by property type. We include our estimate of these factors over a two-year period and for the remainder of the loans' estimated lives, adjusted for estimated prepayments. Past the two-year forecast period, we revert to the historical assumptions ratably by the end of the fifth year of the loan after which we utilize only historical assumptions.

We utilize various scenarios to estimate our allowance for expected losses ranging from a base case scenario that reflects normal market conditions to a severe case scenario that reflects adverse market conditions. We will adjust our allowance each period to utilize the scenario or weighting of the scenarios that best reflects our view of current market conditions.

Note 4 - Investments - Continued

The following tables present information about mortgage loans by the applicable credit quality indicators:

	March 31, 2020		December 31, 2019	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Internal Rating				
A	$ 485.7	19.8 %	$ 485.6	20.3 %
BBB	1,919.6	78.3	1,911.4	79.7
BB	30.0	1.2	—	—
B	16.8	0.7	—	—
Total	$ 2,452.1	100.0 %	$ 2,397.0	100.0 %
Loan-to-Value Ratio				
<= 65%	$ 1,244.4	50.7 %	$ 1,215.1	50.7 %
> 65% <= 75%	1,093.5	44.6	1,053.0	43.9
> 75% <= 85%	40.5	1.7	91.4	3.8
> 85%	73.7	3.0	37.5	1.6
Total	$ 2,452.1	100.0 %	$ 2,397.0	100.0 %

The following table presents the amortized cost of our mortgage loans by year of origination and credit quality indicators at March 31, 2020:

	Prior to 2016	2016	2017	2018	2019	2020	Total
	(in millions of dollars)						
Internal Rating							
A	$ 236.7	$ 119.0	$ 53.1	$ 60.4	$ 17.6	$ —	$ 486.8
BBB	559.7	294.0	285.0	336.7	356.6	97.6	1,929.6
BB	30.0	—	—	—	—	—	30.0
B	16.8	—	—	—	—	—	16.8
Total Amortized Cost	843.2	413.0	338.1	397.1	374.2	97.6	2,463.2
Allowance for credit losses	(2.3)	(1.8)	(1.7)	(2.4)	(2.3)	(0.6)	(11.1)
Carrying Amount	$ 840.9	$ 411.2	$ 336.4	$ 394.7	$ 371.9	$ 97.0	$ 2,452.1
Loan-to-Value Ratio							
<=65%	$ 695.6	$ 241.5	$ 119.1	$ 78.4	$ 84.3	$ 29.0	$ 1,247.9
>65<=75%	69.5	134.4	219.0	318.7	289.9	68.6	1,100.1
>75%<=85%	3.7	37.1	—	—	—	—	40.8
>85%	74.4	—	—	—	—	—	74.4
Total Amortized Cost	843.2	413.0	338.1	397.1	374.2	97.6	2,463.2
Allowance for credit losses	(2.3)	(1.8)	(1.7)	(2.4)	(2.3)	(0.6)	(11.1)
Carrying Amount	$ 840.9	$ 411.2	$ 336.4	$ 394.7	$ 371.9	$ 97.0	$ 2,452.1

Note 4 - Investments - Continued

The following table presents a roll-forward of allowance for expected credit losses by loan-to-value ratio:

	Three Months Ended March 31, 2020				
	Beginning of Year	Current Period Provisions	Write-Offs	Recoveries	End of Period
	(in millions of dollars)				
Loan-to-Value Ratio					
<=65%	$ 2.8	$ 0.7	$ —	$ —	$ 3.5
>65<=75%	4.6	1.9	—	—	6.5
>75%<=85%	0.5	(0.1)	—	—	0.4
>85%	0.4	0.3	—	—	0.7
Total	$ 8.3	$ 2.8	$ —	$ —	$ 11.1

The increase in our estimate of expected losses during the first quarter of 2020 is primarily due to the expected impact of COVID-19. To reflect market conditions at March 31, 2020, we weighted our estimate to reflect a more adverse market as we expect the probability of default could increase as the effects of COVID-19 are experienced in the market.

There were no troubled debt restructurings during the three months ended March 31, 2020 or 2019. At March 31, 2020 and December 31, 2019, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

We had no loan foreclosures for the three months ended March 31, 2020 and 2019. During the first quarter of 2019, a mortgage loan previously impaired was settled and we recognized an additional credit loss of $0.1 million which brought the total loss on the loan to $0.3 million.

For the three months ended March 31, 2020, we had no impaired mortgage loans. Our average investment in impaired mortgage loans was $2.3 million for the three months ended March 31, 2019. We did not recognize any interest income on mortgage loans subsequent to impairment for the three months ended March 31, 2020 and 2019.

At March 31, 2020, we had commitments of $17.5 million to fund certain commercial mortgage loans, the amount of which may or may not be funded. Consistent with how we determine the estimate of current expected credit losses for our funded mortgage loans each period, we estimate expected credit losses for loans that have not been funded but we are committed to fund at the end of each period. At January 1, 2020 and March 31, 2020, we recorded $0.3 million and $0.1 million, respectively, in expected losses related to unfunded loan commitments as a liability within other liabilities line on our consolidated balance sheets.

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.

Note 4 - Investments - Continued

As of March 31, 2020, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $4.9 million, for which we received collateral in the form of securities of $5.5 million. As of December 31, 2019, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $176.4 million, for which we received collateral in the form of securities of $186.5 million. We had no outstanding repurchase agreements at March 31, 2020 or December 31, 2019.

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 short-term investments or 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:

	March 31, 2020	December 31, 2019
	(in millions of dollars)	
Carrying Value of FHLB Common Stock	$ 34.0	$ 18.5
Advances from FHLB	$ 451.7	$ —
Carrying Value of Collateral Posted to FHLB		
Fixed Maturity Securities	$ 712.3	$ 182.1
Commercial Mortgage Loans	236.8	164.4
Total Carrying Value of Collateral Posted to FHLB	$ 949.1	$ 346.5

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.

Note 4 - Investments - Continued

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.

	March 31, 2020					
	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: Financial Instruments	Gross Amount Not Offset in Balance Sheet: Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$ 87.9	$ —	$ 87.9	$ (27.1)	$ (59.7)	$ 1.1
Securities Lending	4.9	—	4.9	(4.9)	—	—
Total	$ 92.8	$ —	$ 92.8	$ (32.0)	$ (59.7)	$ 1.1
Financial Liabilities:						
Derivatives	$ 32.6	$ —	$ 32.6	$ (32.5)	$ —	$ 0.1

	December 31, 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: Financial Instruments	Gross Amount Not Offset in Balance Sheet: Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$ 27.5	$ —	$ 27.5	$ (4.0)	$ (23.5)	$ —
Securities Lending	176.4	—	176.4	(176.4)	—	—
Total	$ 203.9	$ —	$ 203.9	$ (180.4)	$ (23.5)	$ —
Financial Liabilities:						
Derivatives	$ 34.6	$ —	$ 34.6	$ (31.3)	$ —	$ 3.3

Note 4 - Investments - Continued

Net Investment Income

Net investment income reported in our consolidated statements of income is presented below. Certain prior period amounts have been reclassified to conform to the current period presentation.

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Fixed Maturity Securities	$ 539.8	$ 544.9
Derivatives	20.2	17.9
Mortgage Loans	29.0	26.7
Policy Loans	4.8	4.7
Other Long-term Investments		
Perpetual Preferred Securities[1]	(17.1)	3.7
Private Equity Partnerships[2]	10.4	2.2
Other	3.2	(0.1)
Short-term Investments	6.4	7.0
Gross Investment Income	596.7	607.0
Less Investment Expenses	8.5	9.0
Less Investment Income on Participation Fund Account Assets	3.2	3.3
Net Investment Income	$ 585.0	$ 594.7

[1] The net unrealized loss recognized in net investment income for the three months ended March 31, 2020 related to perpetual preferred securities still held at March 31, 2020 was $17.9 million. The net unrealized gain recognized in net investment income for the three months ended March 31, 2019 related to perpetual preferred securities still held at March 31, 2019 was $3.1 million.

[2] The net unrealized gain recognized in net investment income for the three months ended March 31, 2020 related to private equity partnerships still held at March 31, 2020 was $5.4 million. See Note 3 for further discussion of private equity partnerships. The net unrealized loss recognized in net investment income for the three months ended March 31, 2019 related to private equity partnerships still held at March 31, 2019 was $2.7 million.

Note 4 - Investments - Continued

Realized Investment Gain and Loss

Realized investment gains and losses are as follows:

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Fixed Maturity Securities		
Gross Gains on Sales	$ 1.4	$ 3.3
Gross Losses on Sales	(0.7)	(7.9)
Credit Losses	(53.9)	—
Mortgage Loans and Other Invested Assets		
Gross Gains on Sales	0.3	0.9
Gross Losses on Sales	(0.2)	(0.1)
Credit Losses	(2.6)	—
Embedded Derivative in Modified Coinsurance Arrangement	(86.9)	5.5
All Other Derivatives	(0.7)	0.3
Foreign Currency Transactions	(0.7)	(0.9)
Net Realized Investment Gain (Loss)	$ (144.0)	$ 1.1

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.

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.

Note 5 - Derivative Financial Instruments - Continued

- *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.

- *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.

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. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. As of March 31, 2020, our credit exposure on derivatives was $1.1 million. At December 31, 2019, we had no credit exposure on derivatives. The table below summarizes the nature and amount of collateral received from and posted to our derivative counterparties.

	March 31, 2020	December 31, 2019
	(in millions of dollars)	
Carrying Value of Collateral Received from Counterparties		
Cash	$ 59.7	$ 24.0
Carrying Value of Collateral Posted to Counterparties		
Fixed Maturity Securities	$ 11.7	$ 28.6

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 $32.6 million and $34.6 million at March 31, 2020 and December 31, 2019, respectively.

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 Fixed/Pay Fixed	Receive Fixed/Pay Variable	Credit Default	Forwards	Total
	(in millions of dollars)				
Balance at December 31, 2018	$ 538.2	$ 250.0	$ 11.0	$ —	$ 799.2
Additions	42.6	—	—	13.0	55.6
Terminations	46.9	—	—	—	46.9
Foreign Currency	—	—	0.2	—	0.2
Balance at March 31, 2019	$ 533.9	$ 250.0	$ 11.2	$ 13.0	$ 808.1
Balance at December 31, 2019	$ 611.1	$ 250.0	$ 11.4	$ 8.9	$ 881.4
Additions	52.0	—	—	—	52.0
Terminations	—	—	—	1.3	1.3
Foreign Currency	—	—	(0.7)	—	(0.7)
Balance at March 31, 2020	$ 663.1	$ 250.0	$ 10.7	$ 7.6	$ 931.4

Cash Flow Hedges

As of March 31, 2020 and December 31, 2019, we had $213.5 million 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 March 31, 2020, we expect to amortize approximately $75.4 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 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 March 31, 2020, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2045.

Fair Value Hedges

As of March 31, 2020 and December 31, 2019, we had $301.4 million and $249.4 million 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 March 31, 2020 and December 31, 2019, 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.

Note 5 - Derivative Financial Instruments - Continued

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)	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
	(in millions of dollars)			
Fixed maturity securities:				
Receive fixed functional currency interest, pay fixed foreign currency interest	$ 207.5	$ 239.4	$ (12.1)	$ 1.1
Long-term Debt	$ (250.8)	$ (249.2)	$ (0.9)	$ 0.6

For the three months ended March 31, 2020 and March 31, 2019, $28.8 million of the derivative instruments' gain and $0.1 million of the derivative instruments' loss, respectively, 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 March 31, 2020 and December 31, 2019, we held $148.2 million 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 March 31, 2020 and December 31, 2019, we held $10.7 million and $11.4 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 March 31, 2020 and December 31, 2019, we held $7.6 million and $8.9 million, respectively, 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 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.

Note 5 - Derivative Financial Instruments - Continued

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.

	March 31, 2020			
	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	$ 36.0	Other Liabilities	$ 3.2
Fair Value Hedges				
Interest Rate Swaps	Other L-T Investments	0.9	Other Liabilities	—
Foreign Exchange Contracts	Other L-T Investments	47.1	Other Liabilities	2.9
Total Fair Value Hedges		48.0		2.9
Total Designated as Hedging Instruments		$ 84.0		$ 6.1
Not Designated as Hedging Instruments				
Credit Default Swaps	Other L-T Investments	$ 1.3	Other Liabilities	$ —
Forwards	Other L-T Investments	0.4	Other Liabilities	—
Foreign Exchange Contracts	Other L-T Investments	2.2	Other Liabilities	26.5
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—	Other Liabilities	109.7
Total Not Designated as Hedging Instruments		$ 3.9		$ 136.2

Note 5 - Derivative Financial Instruments - Continued

	December 31, 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				
Foreign Exchange Contracts	Other L-T Investments	$ 19.4	Other Liabilities	$ 6.6
Fair Value Hedges				
Interest Rate Swaps	Other L-T Investments	—	Other Liabilities	0.6
Foreign Exchange Contracts	Other L-T Investments	7.6	Other Liabilities	5.0
Total Fair Value Hedges		7.6		5.6
Total Designated as Hedging Instruments		$ 27.0		$ 12.2
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	22.4
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—	Other Liabilities	22.8
Total Not Designated as Hedging Instruments		$ 0.5		$ 45.2

Note 5 - Derivative Financial Instruments - Continued

The following tables summarize the location of gains and losses of derivative financial instruments designated as hedging instruments, as reported in our consolidated statements of income.

	Three Months Ended March 31, 2020		
	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 Income of Which Hedged Items are Recorded	$ 585.0	$ (144.0)	$ 45.7
Gain (Loss) on Cash Flow Hedging Relationships			
Interest Rate Swaps:			
Hedged items	73.0	—	7.3
Derivatives Designated as Hedging Instruments	19.2	—	0.6
Foreign Exchange Contracts:			
Hedged items	2.9	—	—
Derivatives Designated as Hedging Instruments	0.9	—	—
Gain (Loss) on Fair Value Hedging Relationships			
Interest Rate Swaps:			
Hedged items	—	(1.5)	3.6
Derivatives Designated as Hedging Instruments	—	1.5	0.1
Foreign Exchange Contracts			
Hedged items	1.4	(13.2)	—
Derivatives Designated as Hedging Instruments	0.8	13.2	—

Note 5 - Derivative Financial Instruments - Continued

	Three Months Ended March 31, 2019		
	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 Income of Which Hedged Items are Recorded	$ 594.7	$ 1.1	$ 42.1
Gain (Loss) on Cash Flow Hedging Relationships			
Interest Rate Swaps:			
Hedged items	73.0	(3.5)	7.7
Derivatives Designated as Hedging Instruments	17.7	4.1	0.6
Foreign Exchange Contracts:			
Hedged items	4.6	0.8	—
Derivatives Designated as Hedging Instruments	(0.1)	(0.8)	—
Gain (Loss) on Fair Value Hedging Relationships			
Interest Rate Swaps:			
Hedged items	—	(1.5)	3.6
Derivatives Designated as Hedging Instruments	—	1.5	0.8
Foreign Exchange Contracts			
Hedged items	0.5	(0.3)	—
Derivatives Designated as Hedging Instruments	0.3	0.3	—

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 March 31	
	2020	2019
	(in millions of dollars)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives		
Foreign Exchange Contracts	$ 19.5	$ (12.3)

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 income.

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Net Realized Investment Gain (Loss)		
Credit Default Swaps	$ 0.8	$ (0.5)
Foreign Exchange Contracts	(1.5)	0.7
Embedded Derivative in Modified Coinsurance Arrangement	(86.9)	5.5
Total	$ (87.6)	$ 5.7

Note 6 - Accumulated Other Comprehensive Income (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 December 31, 2019	$ 615.9	$ 187.8	$ (281.6)	$ (484.8)	$ 37.3
Other Comprehensive Income (Loss) Before Reclassifications	(263.2)	37.7	(63.6)	3.1	(286.0)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	42.6	(14.9)	—	3.9	31.6
Net Other Comprehensive Income (Loss)	(220.6)	22.8	(63.6)	7.0	(254.4)
Balance at March 31, 2020	$ 395.3	$ 210.6	$ (345.2)	$ (477.8)	$ (217.1)
Balance at December 31, 2018	$ (312.4)	$ 250.6	$ (305.2)	$ (447.2)	$ (814.2)
Other Comprehensive Income (Loss) Before Reclassifications	305.4	(4.7)	17.3	(0.8)	317.2
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	6.9	(15.8)	—	3.6	(5.3)
Net Other Comprehensive Income (Loss)	312.3	(20.5)	17.3	2.8	311.9
Balance at March 31, 2019	$ (0.1)	$ 230.1	$ (287.9)	$ (444.4)	$ (502.3)

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

	March 31 2020	December 31 2019	Change
	(in millions of dollars)		
Fixed Maturity Securities	$ 4,261.2	$ 6,364.4	$ (2,103.2)
Deferred Acquisition Costs	(37.4)	(62.7)	25.3
Reserves for Future Policy and Contract Benefits	(3,899.5)	(5,803.1)	1,903.6
Reinsurance Recoverable	322.7	424.7	(102.0)
Income Tax	(251.7)	(307.4)	55.7
Total	$ 395.3	$ 615.9	$ (220.6)

	March 31 2019	December 31 2018	Change
	(in millions of dollars)		
Fixed Maturity Securities	$ 4,308.4	$ 2,736.5	$ 1,571.9
Deferred Acquisition Costs	(42.6)	(27.9)	(14.7)
Reserves for Future Policy and Contract Benefits	(4,451.0)	(3,220.3)	(1,230.7)
Reinsurance Recoverable	328.5	261.4	67.1
Income Tax	(143.4)	(62.1)	(81.3)
Total	$ (0.1)	$ (312.4)	$ 312.3

Note 6 - Accumulated Other Comprehensive Income (Loss) - Continued

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

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Net Unrealized Gain (Loss) on Securities		
Net Realized Investment Gain (Loss)		
Loss on Sales of Securities	$ —	$ (8.7)
Credit Losses on Fixed Maturity Securities	(53.9)	—
	(53.9)	(8.7)
Income Tax Benefit	(11.3)	(1.8)
Total	$ (42.6)	$ (6.9)
Net Gain on Hedges		
Net Investment Income		
Gain on Interest Rate Swaps and Forwards	$ 18.8	$ 17.4
Gain (Loss) on Foreign Exchange Contracts	0.5	(0.1)
Net Realized Investment Gain (Loss)		
Gain on Interest Rate Swaps	—	4.0
Loss on Foreign Exchange Contracts	—	(0.8)
Interest and Debt Expense		
Loss on Interest Rate Swaps	(0.6)	(0.5)
	18.7	20.0
Income Tax Expense	3.8	4.2
Total	$ 14.9	$ 15.8
Unrecognized Pension and Postretirement Benefit Costs		
Other Expenses		
Amortization of Net Actuarial Loss	$ (5.0)	$ (4.7)
Amortization of Prior Service Credit	0.1	0.1
	(4.9)	(4.6)
Income Tax Benefit	(1.0)	(1.0)
Total	$ (3.9)	$ (3.6)

Note 7 - Liability for Unpaid Claims and Claim Adjustment Expenses

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

	2020	2019
	(in millions of dollars)	
Balance at January 1	$ 23,076.7	$ 23,149.0
Less Reinsurance Recoverable	2,246.8	2,227.3
Net Balance at January 1	20,829.9	20,921.7
Incurred Related to		
Current Year	1,605.9	1,556.8
Prior Years		
Interest	271.9	280.0
All Other Incurred	(126.7)	(130.3)
Foreign Currency	(127.6)	41.1
Total Incurred	1,623.5	1,747.6
Paid Related to		
Current Year	(368.0)	(328.7)
Prior Years	(1,453.7)	(1,439.5)
Total Paid	(1,821.7)	(1,768.2)
Net Balance at March 31	20,631.7	20,901.1
Plus Reinsurance Recoverable	2,260.7	2,241.0
Balance at March 31	$ 22,892.4	$ 23,142.1

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.

"Incurred Related to Prior Years - All Other Incurred" shown in the preceding chart is primarily impacted 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.

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

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:

	March 31	
	2020	2019
	(in millions of dollars)	
Policy and Contract Benefits	$ 1,760.3	$ 1,708.6
Reserves for Future Policy and Contract Benefits	45,706.5	46,109.4
Total	47,466.8	47,818.0
Less:		
Life Reserves for Future Policy and Contract Benefits	8,428.5	8,315.5
Accident and Health Active Life Reserves	12,246.4	11,909.4
Adjustment Related to Unrealized Investment Gains and Losses	3,899.5	4,451.0
Liability for Unpaid Claims and Claim Adjustment Expenses	$ 22,892.4	$ 23,142.1

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.

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:

Certain prior year amounts were reclassified to conform to current year presentation.

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Premium Income		
Unum US		
Group Disability		
Group Long-term Disability	$ 463.0	$ 452.9
Group Short-term Disability	203.2	188.7
Group Life and Accidental Death & Dismemberment		
Group Life	414.5	414.4
Accidental Death & Dismemberment	41.7	41.0
Supplemental and Voluntary		
Individual Disability	109.5	110.7
Voluntary Benefits	230.4	234.4
Dental and Vision	65.4	59.8
	1,527.7	1,501.9
Unum International		
Unum UK		
Group Long-term Disability	90.8	87.9
Group Life	30.9	27.2
Supplemental	23.9	21.7
Unum Poland	19.0	17.2
	164.6	154.0
Colonial Life		
Accident, Sickness, and Disability	249.3	242.2
Life	93.8	87.6
Cancer and Critical Illness	91.6	89.5
	434.7	419.3
Closed Block		
Long-term Care	164.8	163.0
Individual Disability	77.0	98.1
All Other	2.6	2.4
	244.4	263.5
Total Premium Income	$ 2,371.4	$ 2,338.7

Note 8 - Segment Information - Continued

	Unum US	Unum International	Colonial Life	Closed Block	Corporate	Total
			(in millions of dollars)			
Three Months Ended March 31, 2020						
Premium Income	$ 1,527.7	$ 164.6	$ 434.7	$ 244.4	$ —	$ 2,371.4
Net Investment Income	179.6	26.5	37.7	336.1	5.1	585.0
Other Income	40.2	—	0.3	18.2	—	58.7
Adjusted Operating Revenue	$ 1,747.5	$ 191.1	$ 472.7	$ 598.7	$ 5.1	$ 3,015.1
Adjusted Operating Income (Loss)	$ 261.8	$ 19.4	$ 81.1	$ 29.7	$ (45.9)	$ 346.1
Three Months Ended March 31, 2019						
Premium Income	$ 1,501.9	$ 154.0	$ 419.3	$ 263.5	$ —	$ 2,338.7
Net Investment Income	182.1	24.8	36.9	346.6	4.3	594.7
Other Income	34.5	—	0.6	18.0	—	53.1
Adjusted Operating Revenue	$ 1,718.5	$ 178.8	$ 456.8	$ 628.1	$ 4.3	$ 2,986.5
Adjusted Operating Income (Loss)	$ 252.3	$ 29.1	$ 85.2	$ 31.0	$ (45.4)	$ 352.2

	March 31 2020	December 31 2019
	(in millions of dollars)	
Assets		
Unum US	$ 17,791.5	$ 18,586.3
Unum International	3,515.1	3,869.1
Colonial Life	4,428.0	4,629.0
Closed Block	36,004.3	37,008.7
Corporate	3,597.0	2,920.3
Total Assets	$ 65,335.9	$ 67,013.4

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 before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses 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 before income tax, or net income.

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.

Note 8 - Segment Information - Continued

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.

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

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars)	
Total Revenue	$ 2,871.1	$ 2,987.6
Excluding:		
Net Realized Investment Gain (Loss)	(144.0)	1.1
Adjusted Operating Revenue	$ 3,015.1	$ 2,986.5
Income Before Income Tax	$ 202.1	$ 353.3
Excluding:		
Net Realized Investment Gain (Loss)	(144.0)	1.1
Adjusted Operating Income	$ 346.1	$ 352.2

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.

U.S. Pension Plan Annuity Purchase

On January 2, 2020, we purchased a group annuity contract which transferred a portion of our U.S. qualified defined benefit pension plan obligation to a third party. Under the transaction, which was funded with plan assets, we transferred the responsibility for pension benefits and annuity administration for approximately 600 retirees, or their beneficiaries, receiving between $350 and $500 in monthly benefit payments from the plan. This transfer reduced our 2020 U.S. qualified benefit pension plan obligation by approximately $44.0 million.

Note 9 - Employee Benefit Plans - Continued

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

	Three Months Ended March 31					
	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2020	2019	2020	2019	2020	2019
	(in millions of dollars)					
Service Cost	$ 2.8	$ 2.7	$ —	$ —	$ —	$ —
Interest Cost	18.2	20.8	1.2	1.5	1.0	1.3
Expected Return on Plan Assets	(26.7)	(24.8)	(2.4)	(2.2)	(0.1)	(0.1)
Amortization of:						
Net Actuarial Loss (Gain)	4.7	5.1	0.3	0.2	—	(0.6)
Prior Service Credit	—	—	—	—	(0.1)	(0.1)
Total Net Periodic Benefit Cost	$ (1.0)	$ 3.8	$ (0.9)	$ (0.5)	$ 0.8	$ 0.5

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

Note 10 - Stockholders' Equity and Earnings Per Common Share

Earnings Per Common Share

Net income per common share is determined as follows:

	Three Months Ended March 31	
	2020	2019
	(in millions of dollars, except share data)	
Numerator		
Net Income	$ 161.0	$ 280.9
Denominator (000s)		
Weighted Average Common Shares - Basic	203,306.0	214,297.1
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	49.7	132.6
Weighted Average Common Shares - Assuming Dilution	203,355.7	214,429.7
Net Income Per Common Share		
Basic	$ 0.79	$ 1.31
Assuming Dilution	$ 0.79	$ 1.31

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding for the period. In computing earnings per share assuming dilution, we include potential common shares that are dilutive (those that reduce earnings per share). 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, the potential common shares from stock options and nonvested restricted stock units 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. The outstanding stock

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

options have an exercise price of $24.25 and the nonvested restricted stock units have grant prices ranging from $12.45 to $55.26. Potential common shares from performance based share units will have a dilutive effect as the attainment of performance conditions is progressively achieved during the vesting period. Potential common shares not included in the computation of diluted earnings per share because the impact would be antidilutive, approximated 1.1 million and 1.3 million, for the three months ended March 31, 2020 and 2019, 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 $516.2 million at March 31, 2020.

Common stock repurchases are accounted for using the cost method and classified as treasury stock until otherwise retired. During the first quarter of 2019, we repurchased 2.7 million shares at a cost of $100.0 million, which included commissions of a de minimis amount. We did not repurchase shares during the first quarter of 2020.

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

Note 11 - Commitments and Contingent Liabilities - Continued

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.
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.

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.

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. On November 4, 2019 the court heard oral argument on the motion. We are awaiting the court's ruling.

Note 11 - Commitments and Contingent Liabilities - Continued

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 - Other

Debt

At March 31, 2020, 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 $0.2 million.

During the three months ended March 31, 2020, we made principal payments of $15.0 million on our senior secured non-recourse notes issued by Northwind Holdings, LLC.

At March 31, 2020, letters of credit totaling $0.6 million had been issued from our credit facilities, but 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.

Other

In connection with a financial examination of Unum Life Insurance Company of America (Unum America), which is expected to close at the end of the second quarter of 2020, the Maine Bureau of Insurance (MBOI) has concluded that Unum America’s long-term care statutory reserves are deficient by $2.1 billion as of December 31, 2018, the financial statement date of the examination period. The MBOI granted permission to Unum America on May 1, 2020, to phase in the additional statutory reserves over seven years beginning with year-end 2020 and ending with year-end 2026. The 2020 phase-in amount is estimated to be between $200 million and $250 million. This strengthening will be accomplished by our actuaries incorporating explicitly agreed upon margins into our existing assumptions for annual statutory reserve adequacy testing. These actions will add margin to Unum America's best estimate assumptions. Our long-term care reserves and financial results reported under generally accepted accounting principles are not affected by the MBOI’s examination conclusion. We plan to fund the additional statutory reserves with expected cash flows. If the permitted practice was not granted by the MBOI to phase in these additional statutory reserves, the impact to the risk-based capital ratio would have triggered a regulatory event.

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, we offer a broad portfolio of products and services through the workplace.

Specifically, we offer group, individual, voluntary, and dental and vision products as well as provide certain fee-based services. These products and services, which can be sold stand-alone or combined with other coverages, 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 are the 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. 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. Accordingly, 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 through sound and consistent business practices, a strong internal compliance program, and a comprehensive risk management strategy.

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, 2019.

Operating Performance and Capital Management

For the first quarter of 2020, we reported net income of $161.0 million, or $0.79 per diluted common share, compared to net income of $280.9 million, or $1.31 per diluted common share, in the first quarter of 2019. Net income includes net realized investment gains and losses. Excluding net realized investment gains and losses, after-tax adjusted operating income for the first quarter of 2020 was $274.1 million, or $1.35 per diluted common share compared to $280.3 million, or $1.31 per diluted common share, for the first quarter of 2019. See "Reconciliation of Non-GAAP and Other Financial Measures" contained in this Item 2 for a reconciliation of these items.

Our Unum US segment reported an increase in adjusted operating income of 3.8 percent in the first quarter of 2020 compared to the same period of 2019, due primarily to growth in premium income and favorable benefits experience, partially offset by lower net investment income and unfavorable deferred acquisition costs. The benefit ratio for our Unum US segment for the first quarter of 2020 was 64.4 percent, compared to 65.3 percent in the same period of 2019. Unum US sales decreased 15.3 percent in first quarter of 2020 compared to the same period of 2019. Persistency was lower relative to the prior year period.

Our Unum International segment reported a decrease in adjusted operating income of 33.3 percent in the first quarter of 2020 compared to the same prior year period as measured in U.S. dollars. As measured in local currency, our Unum UK line of business reported a decrease in adjusted operating income of 36.6 percent in the first quarter of 2020 compared to the same period of 2019 due primarily to unfavorable benefits experience, partially offset by an increase in premium income and net investment income. The benefit ratio for our Unum UK line of business was 80.5 percent in the first quarter of 2020 compared to 70.2 percent in the same period of 2019. Unum International sales, as measured in U.S. dollars, increased 5.8 percent in the first quarter of 2020 compared to the same period of 2019. Unum UK sales, as measured in local currency increased 12.2 percent in the first quarter of 2020 compared to the same period of 2019. Persistency was higher overall relative to the prior year period.

Our Colonial Life segment reported a decrease in adjusted operating income of 4.8 percent in the first quarter of 2020 compared to the same period of 2019 due to unfavorable benefits experience and unfavorable deferred acquisition costs, partially offset by higher premium income. The benefit ratio for Colonial Life was 52.4 percent in the first quarter of 2020 compared to 51.1 percent in same period of 2019. Colonial Life sales decreased 8.7 percent in the first quarter of 2020 compared to the same period of 2019. Persistency was lower relative to the prior year.

Our Closed Block segment reported a decrease in adjusted operating income of 4.2 percent in the first quarter of 2020 compared to the same period of 2019 due to both lower premium income and net investment income. Benefits experience for long-term care was favorable in the first quarter of 2020 relative to the same period of 2019 and continues to be within our range of expectations with an interest adjusted loss ratio of 86.2 percent on a rolling twelve-month basis. Individual disability benefits experience was unfavorable in the first quarter of 2020 relative to the same period of 2019 but remains within our expectations.

Our net investment income yields continue to be pressured by the low interest rate environment as we maintain consistent credit quality in our invested asset portfolio. The net unrealized gain on our fixed maturity securities was $4.3 billion at March 31, 2020, compared to $6.4 billion at December 31, 2019, with the decrease due primarily to an increase in credit spreads partially offset by a decline in U.S. Treasury rates during the first quarter of 2020. The earned book yield on our investment portfolio was 4.75 percent for the first quarter of 2020 compared to a yield of 5.00 percent for full year 2019.

We believe our capital and financial positions are strong. At March 31, 2020, 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 365 percent, which is in line with our expectations. We did not repurchase shares during the first three months of 2020. Our weighted average common shares outstanding, assuming dilution, equaled 203.4 million and 214.4 million for the first quarters of 2020 and 2019, respectively, reflecting our capital management strategy of returning capital to shareholders through repurchases of our common stock. As of March 31, 2020, Unum Group and our intermediate holding companies held short-dated fixed maturity securities, short-term investments, and cash of $1,025 million.

Coronavirus Disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization identified the spread of COVID-19 as a pandemic. COVID-19 has caused significant disruption to the global economy and has unfavorably impacted our company as well as the overall insurance industry. Due to the unprecedented nature of these events and the current pace of change in this environment, we cannot fully estimate the ultimate impact of the COVID-19 pandemic at this time. We are closely monitoring several key factors related to our business that have and may continue to have adverse impacts.

Results of Operations and Financial Condition

Our results of operations for the first quarter of 2020 and our financial condition as of March 31, 2020 were not significantly impacted by the effects of COVID-19. The primary effects of COVID-19 on our first quarter of 2020 results of operations were an increase in our allowances for credit losses related to our premium receivables and investments in commercial mortgage loans and limited impact to our claims experience in certain of our product lines. The primary effect of COVID-19 on our financial condition as of March 31, 2020 was a decrease in the net unrealized gain on our fixed maturity securities due in large part to the disruption in financial markets which resulted in the significant widening of credit spreads and a partially offsetting decline in U.S. treasury rates. We have also experienced disruption in the sales activity related to certain of our product lines where some potential new customers have deferred their decision to enter into the policy for our products given the current economic environment, this disruption did not have a direct impact on our results of operations for the first quarter of 2020 but will likely result in a decline in premium income related to new sales that would have been recognized in subsequent periods.

Given recent increases in unemployment levels, general uncertainty regarding the financial condition of our customers, and disruptions to our sales processes, we expect an unfavorable impact to our premium collectability as well as lower premium income resulting from declines in persistency levels and sales growth in the near term, and potentially longer, if the current situation persists. Although we have not yet experienced a significant deterioration in these key areas, we are closely monitoring this activity to identify unfavorable trends and are also working with our customers to understand their respective financial conditions. For example, in addition to complying with state-level requirements regarding billing and administration accommodations, we may also develop solutions with our customers on a case-by-case basis to allow for additional payment flexibility in an effort to enhance the likelihood of premium collection and avoid disruptions to coverage. However, circumstances may deteriorate quickly, which could result in material negative impacts on our results of operations with increased allowances for credit losses and decreased premium income. See Notes 1 and 2 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information on our allowances for credit losses.

Regarding our fixed maturity security portfolio, the current economic conditions have increased volatility in the capital markets and have caused significant pressure on the profitability of many companies. The sharp decline in oil prices, while not directly related to COVID-19 initially, is also causing pressure on the profitability of companies in the energy sector. We have recorded credit losses during the first quarter of 2020 primarily related to fixed maturity securities issued by companies in the energy sector and continue to monitor capital market activity on a regular basis. To the extent that there is continued volatility and ratings downgrades related to the issuers of our fixed maturity securities, we could experience further credit losses, an increase in defaults, and the need for additional capital in our insurance subsidiaries. However, we remain confident in the overall strength and credit quality of our investment portfolio. Net investment income may decline as a result of the current economic conditions, which have sustained the low interest rate environment that will continue to impact the yield on our invested assets, particularly related to the investment of new cash flows. Although, we recognized favorable results in net investment income for our partnership investments in the first quarter of 2020 reflecting the market conditions of the fourth quarter of 2019, we expect to recognize declines in the net asset values of our partnership investments in the second quarter of 2020 as we receive financial statements from the partnerships for the first quarter of 2020. We are also working with certain of our commercial mortgage loan borrowers that have requested temporary payment deferrals. For further information on our investment portfolio, see "Investments" contained herein and Notes 3 and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 1.

With respect to our claims liabilities, although we do not believe we have significant exposure to claims directly related to COVID-19, if economic conditions persist, we may begin to experience higher submitted claims incidence, and ultimately, potentially higher claim payments, that is historically associated with sustained economic downturns. Furthermore, as previously mentioned, the low interest rate environment may cause further pressure on the discount rate on our liabilities. We have not yet experienced significant unfavorable trends in these areas but are closely monitoring the situation.

If we begin to experience unfavorable trends in the above areas of focus, we may experience an increase in the amortization of deferred acquisition costs associated with a decline in persistency and may also be required to write-off or impair certain intangible/long-lived assets such as value of business acquired and goodwill if we experience declines in the overall profitability of our businesses and further declines in our market capitalization. Further to declines in profitability, we may also be required to establish a valuation allowance regarding the realization of our deferred tax assets.

Liquidity and Capital Resources

We believe we have the appropriate liquidity and access to capital to avoid significant disruption to our operations. We have not yet experienced a significant decline in the collection of premiums and have also not yet experienced a significant increase in submitted claims; however, we continually monitor the developments of these items.

Regarding liquidity, at March 31, 2020, we have borrowed $451.7 million of funds through the membership of certain of our U.S. insurance subsidiaries with regional Federal Home Loan Banks (FHLB). These funds are used for the purpose of investing in either short-term investments or fixed maturity securities but may be utilized for liquidity if the need arises. Additionally, we have access to two unsecured revolving credit facilities under separate syndicates of lenders that allow us to borrow up to a total of $600 million. There are currently no outstanding borrowings on these facilities but we remain in compliance with required covenants should we choose to borrow in the future. Furthermore, excluding the upcoming maturity of our $400.0 million aggregate principal amount of 5.625% unsecured notes due in the third quarter of 2020, which we funded through an issuance of debt during the second quarter of 2019, we have no significant upcoming debt maturities until 2024. We continue to meet the financial covenants contained in our current debt agreements and credit facilities, and we expect that we will continue to meet those covenants in subsequent periods.

To the extent that we begin to experience a significant decrease in collection of premiums and/or an increase in claim payments, our liquidity would be negatively impacted and would likely result in the sale of highly liquid invested assets or borrowings on our credit facilities to meet operational cash flow requirements.

Business Operations

Other than disruption to sales processes in certain of our product lines, we have not experienced a significant disruption to our operational processes as we have been able to successfully implement our business continuation plans to accommodate remote work arrangements for the safety of our employees and customers. We also have not experienced significant disruption to our financial reporting systems and internal control over financial reporting and disclosure controls and procedures as a result of COVID-19. We have implemented travel restrictions for the safety of our employees and customers, but do not expect those restrictions to significantly disrupt our operations.

Government Stimulus

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which features significant stimulus and support to individuals and businesses impacted by COVID-19. The CARES Act was the third installment of economic stimulus passed, which was preceded by the Coronavirus Preparedness and Response Supplemental Appropriations Act on March 6, 2020 and the Families First Coronavirus Response Act on March 18, 2020. We do not expect these laws to be material to our financial condition or results of operations. We continue to monitor governmental actions and any potential future legislation that may be enacted as a result of COVID-19.

U.K. Referendum

On January 31, 2020, an official bill was passed formalizing the withdrawal of the U.K. from the EU. The bill gives approval to an 11- month transition period, until December 31, 2020, to allow for further negotiations regarding the details of the future relationship. We do not expect the underlying operations of our U.K. business to be significantly impacted by the withdrawal but 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 believe this volatility will impact our ability to hold these investments. 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. The products and services we provide have never been more important to employers, employees and their families, especially given the emergence of the COVID-19 pandemic. We continue to fulfill our corporate purpose of helping the working world thrive throughout life’s moments by providing excellent service to people at their time of need. Our strategy remains centered on growing our existing business, expanding our reach, and investing in our operations and technology to anticipate and respond to meet the changing needs of our customers.

In consideration of the recent COVID-19 pandemic, in the near term, we expect top line growth to be challenging, and we may also experience increased claims volatility. The low interest rate environment continues to place pressure on our profit margins by impacting net investment income yields as well as potentially discount rates on our insurance liabilities. We would also expect to experience further investment volatility through net investment income for unfavorable partnership net asset values and ratings migrations within our portfolio which will have unfavorable impacts to our capital position. As part of our continued pricing discipline and our reserving methodology, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate.

Our business is well-diversified by geography, industry exposures and case size, and we continue to analyze and employ strategies that we believe will help us navigate the current environment. These strategies allow us to maintain financial flexibility to support the needs of our businesses, while also returning capital to our shareholders. We have strong core businesses that have a track record of generating significant capital, and we will continue to invest in our operations and expand into new areas where we can best leverage our expertise and capabilities to capture market growth opportunities as those opportunities re-emerge. Long-term, 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 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 as presented in our consolidated operating results and income statements prepared in accordance with GAAP due to the exclusion of net realized investment gains and losses 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.

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

	Three Months Ended March 31			
	2020		2019	
	(in millions)	per share *	(in millions)	per share *
Net Income	$ 161.0	$ 0.79	$ 280.9	$ 1.31
Excluding:				
Net Realized Investment Gain (Loss) (net of tax expense (benefit) of $(30.9); $0.5)	(113.1)	(0.56)	0.6	—
After-tax Adjusted Operating Income	$ 274.1	$ 1.35	$ 280.3	$ 1.31

* 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 before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses 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 before income tax, or net income.

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

	Three Months Ended March 31			
	2020		2019	
	(in millions of dollars)			
Total Revenue	$	2,871.1	$	2,987.6
Excluding:				
Net Realized Investment Gain (Loss)		(144.0)		1.1
Adjusted Operating Revenue	$	3,015.1	$	2,986.5
Income Before Income Tax	$	202.1	$	353.3
Excluding:				
Net Realized Investment Gain (Loss)		(144.0)		1.1
Adjusted Operating Income	$	346.1	$	352.2

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. Effective January 1, 2020, we adopted new accounting guidance regarding estimating expected credit losses related to our commercial mortgage loan investments and the recording of credit losses related to our available-for-sale fixed maturity securities. There have been no other significant changes in our critical accounting estimates during the first three months of 2020.

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, 2019.

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 March 31		
	2020	% Change	2019
Revenue			
Premium Income	$ 2,371.4	1.4 %	$ 2,338.7
Net Investment Income	585.0	(1.6)	594.7
Net Realized Investment Gain (Loss)	(144.0)	N.M.	1.1
Other Income	58.7	10.5	53.1
Total Revenue	2,871.1	(3.9)	2,987.6
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	1,854.8	0.8	1,840.8
Commissions	279.2	(3.8)	290.1
Interest and Debt Expense	45.7	8.6	42.1
Deferral of Acquisition Costs	(162.0)	(6.7)	(173.7)
Amortization of Deferred Acquisition Costs	176.2	3.3	170.6
Compensation Expense	239.5	5.7	226.5
Other Expenses	235.6	(1.0)	237.9
Total Benefits and Expenses	2,669.0	1.3	2,634.3
Income Before Income Tax	202.1	(42.8)	353.3
Income Tax	41.1	(43.2)	72.4
Net Income	$ 161.0	(42.7)	$ 280.9

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 weakens relative to the preceding period, translating pounds into dollars decreases current period results relative to the prior period. In periods when the pound strengthens, translating pounds into dollars increases current period results relative to the prior period.

The weighted average pound/dollar exchange rate for our Unum UK line of business was 1.277 and 1.306 for the three months ended March 31, 2020 and 2019, respectively. If the first quarter of 2019 results for our U.K. operations had been translated at the lower exchange rate of 2020, our adjusted operating revenue and adjusted operating income by segment would have been lower by approximately $3 million and $1 million, respectively, in the first quarter of 2019. 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 first quarter of 2020 increased slightly relative to the same period of 2019, with growth in each of our principal operating business segments, driven by growth in the in-force block resulting from prior period sales. Premium income continues to decline, as expected, in our Closed Block segment.

Net investment income decreased in the first quarter of 2020 relative to the same period of 2019 due to a decline in the yield on invested assets, partially offset by higher miscellaneous investment income and an increase in the level of invested assets.

Included in net realized investment gains and losses for the first quarter of 2020, were credit losses on fixed maturity securities of $53.9 million related primarily to securities in the energy sector. There were no credit losses on fixed maturity securities in net realized investment gains and losses in the first quarter of 2019. 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 $(86.9) million and $5.5 million in the first quarters of 2020 and 2019, respectively. The loss on the embedded derivative in the first quarter of 2020 was primarily due to a widening of credit spreads in the overall investment market. 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 first quarter of 2020 relative to the same prior year period due primarily to growth in our fee-based service products in the Unum US segment, which include leave management services and administrative services only (ASO) business.

Overall benefits experience was generally stable in first quarter of 2020 relative to the same prior year period. The benefits experience for each of our operating business segments is discussed more fully in "Segment Results" as follows.

Commissions and the deferral of acquisition costs decreased during the first quarter of 2020 compared to the first quarter of 2019 driven by lower sales in the Unum US and Colonial Life segments as well as a shift in product mix in the Unum US voluntary line of business. The increase in the amortization of deferred acquisition costs in the first quarter of 2020 compared to the first quarter of 2019 is due to growth in the level of the deferred asset and a higher level of policy terminations experienced in the Unum US individual disability product line.

Interest and debt expense increased in the first quarter of 2020 compared to the first quarter of 2019 due primarily to a higher level of outstanding debt.

Other expenses and compensation expense, on a combined basis, increased in the first quarter of 2020 compared to the first quarter of 2019 due to growth in our fee-based service products and operational investments in our business, partially offset by our continued focus on expense management and operating efficiencies.

Our effective income tax rate for the first quarter of 2020 was 20.3 percent compared to 20.5 percent for the first quarter of 2019. Our effective tax rates differed from the U.S. statutory rate of 21 percent in effect for the first quarters of 2020 and 2019 primarily due to favorable tax credits. In March 2020, an income tax rate change was proposed which would increase the tax rate in the U.K. from the current rate of 17 percent to 19 percent effective 2020. If enacted, we would adjust deferred tax assets and liabilities through income on the date of enactment of the rate change. We do not expect this proposed rate change, if enacted, to have a material impact on our 2020 financial position or results of operations.

Consolidated Sales Results

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

(in millions)

	Three Months Ended March 31		
	2020	% Change	2019
Unum US	$ 235.8	(15.3)%	$ 278.4
Unum International	$ 23.9	5.8 %	$ 22.6
Colonial Life	$ 99.3	(8.7)%	$ 108.8

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 is comprised of group disability insurance, which includes our long-term and short-term disability products, our medical stop-loss product, and our fee-based leave management services and ASO business, 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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income	$ 1,527.7	1.7 %	$ 1,501.9
Net Investment Income	179.6	(1.4)	182.1
Other Income	40.2	16.5	34.5
Total	1,747.5	1.7	1,718.5
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	984.6	0.4	980.7
Commissions	154.3	(5.3)	163.0
Deferral of Acquisition Costs	(79.6)	(9.1)	(87.6)
Amortization of Deferred Acquisition Costs	107.7	3.7	103.9
Other Expenses	318.7	4.1	306.2
Total	1,485.7	1.3	1,466.2
Adjusted Operating Income	$ 261.8	3.8	$ 252.3
Operating Ratios (% of Premium Income):			
Benefit Ratio	64.4 %		65.3 %
Other Expense Ratio	20.9 %		20.4 %
Adjusted Operating Income Ratio	17.1 %		16.8 %

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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Group Long-term Disability	$ 463.0	2.2 %	$ 452.9
Group Short-term Disability	203.2	7.7	188.7
Total Premium Income	666.2	3.8	641.6
Net Investment Income	93.4	(6.6)	100.0
Other Income	38.4	19.3	32.2
Total	798.0	3.1	773.8
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	487.4	1.7	479.1
Commissions	49.9	(0.8)	50.3
Deferral of Acquisition Costs	(12.8)	8.5	(11.8)
Amortization of Deferred Acquisition Costs	13.3	9.0	12.2
Other Expenses	183.9	13.9	161.4
Total	721.7	4.4	691.2
Adjusted Operating Income	$ 76.3	(7.6)	$ 82.6
Operating Ratios (% of Premium Income):			
Benefit Ratio	73.2 %		74.7 %
Other Expense Ratio	27.6 %		25.2 %
Adjusted Operating Income Ratio	11.5 %		12.9 %
Persistency:			
Group Long-term Disability	90.6 %		90.9 %
Group Short-term Disability	86.1 %		90.5 %

Premium income was higher in the first quarter of 2020 compared to the same period of 2019 due to growth in the in-force block resulting from higher prior period sales, partially offset by lower persistency. Net investment income was lower in the first quarter of 2020 relative to the same period of 2019 due to a decline in yield on invested assets, lower miscellaneous investment income, and a decrease in the level of invested assets. Other income increased in the first quarter of 2020 compared to the same period of 2019 due to growth in our fee-based service products.

Benefits experience was favorable in the first quarter of 2020 compared to the same period of 2019 due primarily to favorable claim recovery experience in our group long-term disability product line, partially offset by higher claims incidence in both our group long-term and short-term disability product lines.

Commissions were slightly lower in the first quarter of 2020 compared to the same period of 2019 due primarily to lower sales. The deferral of acquisition costs was higher in the first quarter of 2020 compared to the same period of 2019 due to higher deferrable costs related to certain sales-based incentive compensation costs. The amortization of deferred acquisition costs in the first quarter of 2020 increased relative to the same period of 2019 due to growth in the level of the deferred asset. Our other expense ratio in the first quarter of 2020 increased compared to the same period of 2019 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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Group Life	$ 414.5	— %	$ 414.4
Accidental Death & Dismemberment	41.7	1.7	41.0
Total Premium Income	456.2	0.2	455.4
Net Investment Income	25.7	0.4	25.6
Other Income	0.5	(16.7)	0.6
Total	482.4	0.2	481.6
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	322.1	(0.2)	322.9
Commissions	36.4	(3.2)	37.6
Deferral of Acquisition Costs	(9.5)	4.4	(9.1)
Amortization of Deferred Acquisition Costs	9.9	4.2	9.5
Other Expenses	53.1	(0.4)	53.3
Total	412.0	(0.5)	414.2
Adjusted Operating Income	$ 70.4	4.5	$ 67.4
Operating Ratios (% of Premium Income):			
Benefit Ratio	70.6 %		70.9 %
Other Expense Ratio	11.6 %		11.7 %
Adjusted Operating Income Ratio	15.4 %		14.8 %
Persistency:			
Group Life	88.4 %		91.0 %
Accidental Death & Dismemberment	87.9 %		90.3 %

Premium income in the first quarter of 2020 was generally consistent with the same period of 2019, with growth in the in-force block resulting from prior period sales growth mostly offset by lower persistency. Net investment income was slightly higher in the first quarter of 2020 relative to the same period of 2019 due to a higher level of invested assets and higher miscellaneous investment income, partially offset by a decline in yield on invested assets.

Benefits experience in the first quarter of 2020 was favorable compared to the same period of 2019 due primarily to lower claims incidence in the group accidental death and dismemberment product line.

Commissions were lower in the first quarter of 2020 compared to the same period of 2019 due to lower sales. The deferral of acquisition costs was higher in the first quarter of 2020 compared to the same period of 2019 due to higher deferrable expenses related to certain sales-based incentive compensation costs. The amortization of deferred acquisition costs increased in the first quarter of 2020 relative to the same period of 2019 due to growth in the level of the deferred asset. The other expense ratio was generally consistent in the first quarter of 2020 compared to the same period of 2019.

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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Individual Disability	$ 109.5	(1.1)%	$ 110.7
Voluntary Benefits	230.4	(1.7)	234.4
Dental and Vision	65.4	9.4	59.8
Total Premium Income	405.3	0.1	404.9
Net Investment Income	60.5	7.1	56.5
Other Income	1.3	(23.5)	1.7
Total	467.1	0.9	463.1
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	175.1	(2.0)	178.7
Commissions	68.0	(9.5)	75.1
Deferral of Acquisition Costs	(57.3)	(14.1)	(66.7)
Amortization of Deferred Acquisition Costs	84.5	2.8	82.2
Other Expenses	81.7	(10.7)	91.5
Total	352.0	(2.4)	360.8
Adjusted Operating Income	$ 115.1	12.5	$ 102.3
Operating Ratios (% of Premium Income):			
Benefit Ratios:			
Individual Disability	52.1 %		49.9 %
Voluntary Benefits	32.7 %		35.4 %
Dental and Vision	65.1 %		67.7 %
Other Expense Ratio	20.2 %		22.6 %
Adjusted Operating Income Ratio	28.4 %		25.3 %
Persistency:			
Individual Disability	88.9 %		90.3 %
Voluntary Benefits	72.4 %		73.0 %
Dental and Vision	81.9 %		84.3 %

Premium income in the first quarter of 2020 was generally consistent with the same period of 2019, with growth in the dental and vision product line mostly offset by lower persistency in all product lines. Net investment income was higher in the first quarter of 2020 compared to the same period of 2019 due to a higher level of invested assets and higher miscellaneous investment income, partially offset by a decline in yield on invested assets.

Benefits experience for the individual disability product line was less favorable in the first quarter of 2020 compared to the same period of 2019 due to higher claims incidence. Benefits experience for voluntary benefits was favorable in the first quarter of 2020 compared to the same period of 2019 due primarily to the release of active life reserves resulting from a higher level of terminations. Benefits experience for the dental and vision product line was favorable in the first quarter of 2020 compared to the same period of 2019 driven by lower claims incidence.

Commissions and the deferral of acquisition costs were lower for the first quarter of 2020 relative to the same period of 2019 due primarily to lower sales in the voluntary benefits product line and a continued shift in product mix that resulted in lower first year commissions, partially offset by higher sales in the individual disability product line. The amortization of deferred acquisition costs increased in the first quarter of 2020 relative to the same period of 2019 due primarily to the impact of a higher level of policy terminations, particularly in the individual disability product line. Our other expense ratio improved in the first quarter of 2020 relative to the same period of 2019 due to our continued focus on expense management and operating efficiencies balanced with operational investments in our business.

Sales

(in millions of dollars)

	Three Months Ended March 31		
	2020	% Change	2019
Sales by Product			
Group Disability and Group Life and AD&D			
Group Long-term Disability	$ 31.4	(14.9)%	$ 36.9
Group Short-term Disability	14.2	(32.1)	20.9
Group Life and AD&D	28.1	(30.8)	40.6
Subtotal	73.7	(25.1)	98.4
Supplemental and Voluntary			
Individual Disability	22.7	50.3	15.1
Voluntary Benefits	128.6	(15.6)	152.4
Dental and Vision	10.8	(13.6)	12.5
Subtotal	162.1	(9.9)	180.0
Total Sales	$ 235.8	(15.3)	$ 278.4
Sales by Market Sector			
Group Disability and Group Life and AD&D			
Core Market (< 2,000 employees)	$ 51.2	5.1 %	$ 48.7
Large Case Market	22.5	(54.7)	49.7
Subtotal	73.7	(25.1)	98.4
Supplemental and Voluntary	162.1	(9.9)	180.0
Total Sales	$ 235.8	(15.3)	$ 278.4

Group sales declined during the first quarter of 2020 compared to the same period of 2019 due to lower new customer sales in both the core market, which we define as employee groups with fewer than 2,000 employees, and the large case market, partially offset by higher sales to existing customers in the core market and growth in our medical stop-loss product. The sales mix in the group market sector for the first three months of 2020 was approximately 69 percent core market and 31 percent large case market.

Individual disability sales, which are primarily concentrated in the multi-life market, increased in the first quarter of 2020 compared to the same period of 2019 due to higher sales to both new and existing customers. Voluntary benefits sales decreased during the first quarter of 2020 compared to the first quarter of 2019 due to lower new and existing sales in both the core and large case markets. Dental and vision sales declined in the first quarter of 2020 compared to the same period of 2019 driven primarily by lower sales to existing customers.

We experienced disruption to the sales activity in certain of our Unum US product lines during the first quarter of 2020 due to COVID-19, which we believe contributed partly to the decline in sales results compared to the first quarter of 2019. Further discussion of COVID-19 is contained herein in "Executive Summary" in this Item 2

Segment Outlook

We remain committed to offering consumers a broad set of financial protection benefit products at the worksite. During 2020, 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. In addition, we will continue to focus on the expansion of our portfolio of products. In particular, we believe our significant investment in leave management services will allow for substantial growth opportunities, particularly with larger employers, and stronger persistency in our core products. With respect to smaller employers, we will continue to enhance our distribution model and provide comprehensive consumer-focused products. We believe our active client management and differentiated integrated customer experience across our product lines, underpinned by strong risk management, will continue to enable us to grow our market over the long-term.

Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption in our sales activity, persistency and ultimately premium income in 2020. The low interest rate environment continues to place pressure on our profit margins by impacting net investment income yields as well as potentially discount rates on our insurance liabilities. Our net investment income may continue to be unfavorably impacted by fluctuations in miscellaneous investment income. As part of our continued pricing discipline and our reserving methodology, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate. We could also experience claims volatility, particularly in our short-term disability, leave management, and group life products as well as potential disruption in our overall claims processing activity which can result in short-term unfavorable experience. 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. Our Unum UK products include insurance for group long-term disability, group life, and supplemental lines of business, which includes dental, individual disability, and critical illness products. Our Unum Poland products include insurance for individual and group life with accident and health riders. 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. Certain prior year amounts were reclassified to conform to current year presentation.

(in millions of dollars, except ratios)

	Three Months Ended March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Unum UK			
Group Long-term Disability	$ 90.8	3.3 %	$ 87.9
Group Life	30.9	13.6	27.2
Supplemental	23.9	10.1	21.7
Unum Poland	19.0	10.5	17.2
Total Premium Income	164.6	6.9	154.0
Net Investment Income	26.5	6.9	24.8
Total	191.1	6.9	178.8
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	128.6	20.8	106.5
Commissions	12.3	1.7	12.1
Deferral of Acquisition Costs	(3.0)	3.4	(2.9)
Amortization of Deferred Acquisition Costs	1.8	—	1.8
Other Expenses	32.0	(0.6)	32.2
Total	171.7	14.7	149.7
Adjusted Operating Income	$ 19.4	(33.3)	$ 29.1

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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Group Long-term Disability	£ 71.0	5.2 %	£ 67.5
Group Life	24.2	16.3	20.8
Supplemental	18.6	11.4	16.7
Total Premium Income	113.8	8.4	105.0
Net Investment Income	19.3	8.4	17.8
Total	133.1	8.4	122.8
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	91.6	24.3	73.7
Commissions	7.1	1.4	7.0
Deferral of Acquisition Costs	(1.2)	9.1	(1.1)
Amortization of Deferred Acquisition Costs	1.4	—	1.4
Other Expenses	20.5	1.5	20.2
Total	119.4	18.0	101.2
Adjusted Operating Income	£ 13.7	(36.6)	£ 21.6
Weighted Average Pound/Dollar Exchange Rate	1.277		1.306
Operating Ratios (% of Premium Income):			
Benefit Ratio	80.5 %		70.2 %
Other Expense Ratio	18.0 %		19.2 %
Adjusted Operating Income Ratio	12.0 %		20.6 %
Persistency:			
Group Long-term Disability	90.1 %		89.3 %
Group Life	86.3 %		85.7 %
Supplemental	91.2 %		91.5 %

Premium income was higher in the first quarter of 2020 compared to the same period of 2019 due to sales growth, higher overall persistency, and the impact of rate increases in the group long-term disability product line.

Net investment income was higher in the first quarter of 2020 compared to the same period of 2019 due to higher investment income from inflation index-linked bonds and higher miscellaneous income, partially offset by a decline in the yield on fixed-rate bonds. Our investments in inflation index-linked bonds support the claim reserves associated with certain group policies that provide for inflation-linked increases in benefits. The increase in net investment income attributable to these index-linked bonds was more than offset by an increase in the reserves for future claim payments related to the inflation index-linked group long-term disability and group life policies.

Benefits experience was unfavorable in the first quarter of 2020 relative to the same prior year period due to higher claims incidence in the group critical illness product line and lower claim resolutions in the group long-term disability product line due to disruption in our claims processes related to COVID-19. Also contributing to the unfavorable experience was higher inflation-linked increases in benefits related to our group products.

Commissions and the deferral of acquisition costs were slightly higher in the first quarter of 2020 relative to the same prior year period due to higher sales. The amortization of deferred acquisition costs in the first quarter of 2020 was consistent with the same prior year period. The other expense ratio was lower in the first quarter of 2020 relative to the same prior year period due to higher premiums and our continued focus on expense management.

Sales

Certain prior year amounts below were reclassified to conform to current year presentation.

(in millions of dollars and pounds)

	Three Months Ended March 31		
	2020	% Change	2019
Unum International Sales by Product			
Unum UK			
Group Long-term Disability	$ 8.6	4.9 %	$ 8.2
Group Life	5.6	(8.2)	6.1
Supplemental	7.1	44.9	4.9
Unum Poland	2.6	(23.5)	3.4
Total Sales	$ 23.9	5.8	$ 22.6
Unum International Sales by Market Sector			
Unum UK			
Group Long-term Disability and Group Life			
Core Market (< 500 employees)	$ 9.1	7.1 %	$ 8.5
Large Case Market	5.1	(12.1)	5.8
Subtotal	14.2	(0.7)	14.3
Supplemental	7.1	44.9	4.9
Unum Poland	2.6	(23.5)	3.4
Total Sales	$ 23.9	5.8	$ 22.6
Unum UK Sales by Product			
Group Long-term Disability	£ 6.7	8.1 %	£ 6.2
Group Life	4.4	(6.4)	4.7
Supplemental	5.4	42.1	3.8
Total Sales	£ 16.5	12.2	£ 14.7
Unum UK Sales by Market Sector			
Group Long-term Disability and Group Life			
Core Market (< 500 employees)	£ 7.2	10.8 %	£ 6.5
Large Case Market	3.9	(11.4)	4.4
Subtotal	11.1	1.8	10.9
Supplemental	5.4	42.1	3.8
Total Sales	£ 16.5	12.2	£ 14.7

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 were higher in the first quarter of 2020 compared to the first quarter of 2019, with higher sales to new customers, partially offset by lower sales to existing customers.

Group life sales declined in the first quarter of 2020 compared to the same period of 2019 driven by lower sales to new customers, partially offset by higher sales to existing customers.

Supplemental sales were higher in the first quarter of 2020 compared to the first quarter of 2019 due primarily 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. Within our Unum UK line of business, expanding our group long-term disability market position remains a priority. In addition, we will continue to focus on increasing participation levels in the large case segment while also developing new distribution and services to reach new small case clients. We will also continue the implementation of price increases and will maintain our disciplined sales approach. Within our Unum Poland line of business, we will leverage our U.S. and U.K. expertise to grow existing distribution channels and expand our current product offerings. We continue to invest in digital capabilities, technology, and product enhancements which we believe will drive sustainable growth over the long term.

Given the uncertainty caused by the COVID-19 pandemic and the ongoing negotiations following the recent withdrawal of the U.K. from the EU we expect to experience further disruption to our financial results in 2020. Sales activity could be lower and we could also experience claims volatility in our group life and disability product lines. Uncertainty in the U.K. economy may continue to pressure our growth expectations in the near-term and may also lead to lower claim discount rates. However, we believe we are well positioned to capitalize on future growth opportunities as the operating environment improves. 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 due to the recent withdrawal of the U.K. from the EU, 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 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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Accident, Sickness, and Disability	$ 249.3	2.9 %	$ 242.2
Life	93.8	7.1	87.6
Cancer and Critical Illness	91.6	2.3	89.5
Total Premium Income	434.7	3.7	419.3
Net Investment Income	37.7	2.2	36.9
Other Income	0.3	(50.0)	0.6
Total	472.7	3.5	456.8
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	228.0	6.4	214.2
Commissions	93.0	(1.5)	94.4
Deferral of Acquisition Costs	(79.4)	(4.6)	(83.2)
Amortization of Deferred Acquisition Costs	66.7	2.8	64.9
Other Expenses	83.3	2.5	81.3
Total	391.6	5.4	371.6
Adjusted Operating Income	$ 81.1	(4.8)	$ 85.2
Operating Ratios (% of Premium Income):			
Benefit Ratio	52.4 %		51.1 %
Other Expense Ratio	19.1 %		19.4 %
Adjusted Operating Income Ratio	18.7 %		20.3 %
Persistency:			
Accident, Sickness, and Disability	73.0 %		73.4 %
Life	83.0 %		83.3 %
Cancer and Critical Illness	80.9 %		81.2 %

Premium income increased in the first quarter of 2020 compared to the same prior year period due to growth in the in-force block resulting from prior period sales growth, offset partially by lower persistency. Net investment income increased in the first quarter of 2020 relative to the prior year due to an increase in the level of invested assets and higher miscellaneous investment income, partially offset by a decline in the yield on invested assets.

Benefits experience in the first quarter of 2020 was unfavorable compared to the same period of 2019, with unfavorable experience in the accident, sickness, and disability line of business partially offset by favorable experience in the cancer and critical illness and life product lines.

Commissions and the deferral of acquisition costs were lower in the first quarter of 2020 relative to the same period of 2019 due to lower sales. The amortization of deferred acquisition costs increased during the first quarter of 2020 relative to the same period of 2019 due to growth in the level of the deferred asset. The other expense ratio improved in the first quarter of 2020 relative to the same period 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 March 31		
	2020	% Change	2019
Sales by Product			
Accident, Sickness, and Disability	$ 64.6	(10.5)%	$ 72.2
Life	20.7	5.1	19.7
Cancer and Critical Illness	14.0	(17.2)	16.9
Total Sales	$ 99.3	(8.7)	$ 108.8
Sales by Market Sector			
Commercial			
Core Market (< 1,000 employees)	$ 67.6	(5.3)%	$ 71.4
Large Case Market	11.9	(16.8)	14.3
Subtotal	79.5	(7.2)	85.7
Public Sector	19.8	(14.3)	23.1
Total Sales	$ 99.3	(8.7)	$ 108.8

Commercial market sales were lower during the first quarter of 2020 relative to the same period of 2019 due to a decline in new and existing customer account sales in both the core market, which we define as accounts with fewer than 1,000 employees, and the large case market. The decline in our public sector market during the first quarter of 2020 was driven by a decrease in new customer account sales. The number of new accounts and the average new case size decreased 10.6 percent and 9.2 percent, respectively, in the first quarter of 2020 compared to the same period of 2019.

Segment Outlook

We remain committed to providing employees and their families with simple, modern, and personal benefit solutions. During 2020, we will continue to focus on expanding our distribution system through the growth and development of our agency sales force and growth of effective broker partnerships. We will also continue to invest in new solutions and digital capabilities to support growth, enhance the customer experience, and improve productivity. We believe our distribution system, customer service capabilities, digital and virtual tools, and ability to serve all market sizes position us well for future growth in the long-term.

Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption in our sales activity, persistency and ultimately premium income in 2020. 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. 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 group and individual long-term care, individual disability, and other insurance products no longer actively marketed. We discontinued offering individual long-term care in 2009 and group long-term care in 2012. Individual disability in this segment generally consists of policies we sold prior to the mid-1990s and entirely discontinued selling in 2004. 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 March 31		
	2020	% Change	2019
Adjusted Operating Revenue			
Premium Income			
Long-term Care	$ 164.8	1.1 %	$ 163.0
Individual Disability	77.0	(21.5)	98.1
All Other	2.6	8.3	2.4
Total Premium Income	244.4	(7.2)	263.5
Net Investment Income	336.1	(3.0)	346.6
Other Income	18.2	1.1	18.0
Total	598.7	(4.7)	628.1
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	513.6	(4.8)	539.4
Commissions	19.6	(4.9)	20.6
Interest and Debt Expense	0.8	(50.0)	1.6
Other Expenses	35.0	(1.4)	35.5
Total	569.0	(4.7)	597.1
Adjusted Operating Income	$ 29.7	(4.2)	$ 31.0
Interest Adjusted Loss Ratios:			
Long-term Care	81.0 %		88.5 %
Individual Disability	84.5 %		80.1 %
Operating Ratios (% of Premium Income):			
Other Expense Ratio	14.3 %		13.5 %
Adjusted Operating Income Ratio	12.2 %		11.8 %
Persistency:			
Long-term Care	95.6 %		95.6 %
Individual Disability	88.9 %		88.1 %

Premium income for long-term care was slightly higher in the first quarter of 2020 relative to the same period of 2019, 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. Premium income for individual disability decreased in the first quarter of 2020 compared to the same period of 2019 due to a one-time reinsurance cost related to a small block of policies and continued policy terminations and maturities.

Net investment income was lower during the first quarter of 2020 relative to the same period of 2019 due to a decrease in yield on invested assets driven primarily by losses on certain of our perpetual preferred securities, partially offset by an increase in the level of invested assets and higher miscellaneous investment income. Other income, which includes the underlying results and associated net investment income of certain blocks of individual disability reinsured business, was generally consistent during the first quarter of 2020 relative to the same period of 2019.

The interest adjusted loss ratio for long-term care was favorable during the first quarter of 2020 relative to the same period of 2019 driven by higher mortality. The interest adjusted loss ratio for long-term care for the rolling twelve months was 86.2 percent. Individual disability benefits experience was unfavorable relative to 2019 driven primarily by the impact of the one-time reinsurance cost as previously discussed.

The other expense ratio during the first quarter of 2020 was higher compared to the same period of 2019 due to a 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. We will continue to explore structural options to enhance financial flexibility. 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, primarily private equity partnership investments, in the long-term care product line portfolio. We record changes in our share of net asset value of the partnerships in net investment income. We receive financial information related to our investments in partnerships generally on a one-quarter lag in accordance with our accounting policy. We estimate that we will recognize losses totaling approximately $30 million to $50 million, or approximately 5 to 8 percent of the carrying value of our portfolio, in the second quarter of 2020 as we receive financial statements from the partnerships for the first quarter of 2020 that will reflect the impact of current economic conditions. During the first quarter of 2020, U.S. equity markets were severely depressed as a result of COVID-19 and although our partnership investments are not directly correlated with those markets, their results were negatively impacted as a result of lower asset fair values. As these net asset values are volatile and can move materially with swings in economic conditions within the market, there will likely be significant movements up or down in future periods as conditions change. 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 long-term care and the individual disability 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.

In consideration of the recent COVID-19 pandemic and related recessionary impacts, we expect our Closed Block segment could temporarily experience greater than normal volatility across multiple risk factors. Specific to our long-term care line of business, we expect that we may experience an increase in mortality as well as a decrease in persistency and interest rates. For our individual disability line of business, we expect that we may experience an increase in mortality and incidence as well as a decrease in persistency and claim resolutions.

Corporate Segment

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

Adjusted operating loss was $45.9 million in the first quarter of 2020 compared to $45.4 million in the first quarter of 2019. Adjusted operating revenue, which consisted entirely of net investment income, was $5.1 million in the first quarter of 2020, an increase of 18.6 percent from $4.3 million in the first quarter of 2019, driven by a higher level of invested assets, partially offset by a lower yield on invested assets. Interest and other expenses was $51.0 million, an increase of 2.6 percent from $49.7 million in the first quarter of 2019, driven by a higher level of outstanding debt, mostly offset by lower pension costs.

Segment Outlook

We expect to continue to generate excess capital on an annual basis through the statutory earnings in our insurance subsidiaries and believe we are well positioned with flexibility to preserve our capital strength while also returning 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 manage 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 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 has positioned us well and generally reduced the volatility in our results.

COVID-19

The current economic conditions have increased volatility in the capital markets and have caused significant pressure on the profitability of many companies. The sharp decline in oil prices and lack of demand due to COVID-19, which began to occur in the first quarter of 2020, is also causing pressure on the profitability of companies in the energy sector. We have recorded credit losses during the first quarter of 2020 primarily related to fixed maturity securities issued by companies in the energy sector and continue to monitor capital market activity on a regular basis. Our fixed income exposure to consumer cyclicals, which have been stressed due to COVID-19 related shutdowns, is approximately 3 percent of our portfolio. Within this sector, we have no exposure to lodging and our exposure to other stressed industries such as airlines and restaurants is minimal at less than 0.2 percent of our portfolio each. In the first quarter of 2020, we had approximately $336 million of downgrades of investment-grade securities to high yield or below investment grade, which contributed to the increase in our holdings of below-investment-grade securities from 7.5 percent of fixed maturity securities at December 31, 2019 to 8.2 percent at March 31, 2020 on an amortized cost basis. On a fair value basis, the percentage of our below-investment grade securities was 6.6 percent at March 31, 2020 compared to 6.7 percent at December 31, 2019.

To the extent that there is continued volatility and ratings downgrades related to the issuers of our fixed maturity securities, we could experience further credit losses, an increase in defaults, and the need for additional capital in our insurance subsidiaries. However, we remain confident in the overall strength and credit quality of our investment portfolio. Net investment income may decline as a result of the current economic conditions, which have sustained the low interest rate environment that will continue to impact the yield on our invested assets, particularly related to the investment of new cash flows. For further discussion, see "Fixed Maturity Securities" contained herein in this Item 2.

Potential declines in the net asset values of our partnership investments expected to be recognized in the second quarter of 2020 as we receive financial statements from the partnerships for the first quarter of 2020 will decrease net investment income. We are also working with certain of our commercial mortgage loan borrowers that have requested temporary payment deferrals. For further discussion, see "Mortgage Loans" and "Private Equity Partnerships" contained herein in this Item 2.

See "Executive Summary" for further information on the impact from COVID-19 contained herein in Item 2.

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 March 31, 2020

(in millions of dollars)

Classification	Fair Value	Net Unrealized Gain (Loss)	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	$ 3,115.2	$ 148.8	$ 1,084.0	$ 88.8	$ 2,031.2	$ 237.6
Capital Goods	4,240.0	380.5	777.1	47.4	3,462.9	427.9
Communications	2,956.7	418.8	344.6	37.8	2,612.1	456.6
Consumer Cyclical	1,417.0	79.5	438.6	50.4	978.4	129.9
Consumer Non-Cyclical	7,142.0	823.9	933.1	84.7	6,208.9	908.6
Energy	3,734.8	(349.7)	1,911.2	562.2	1,823.6	212.5
Financial Institutions	3,592.5	240.9	877.6	56.4	2,714.9	297.3
Mortgage/Asset-Backed	1,445.7	129.0	43.8	0.9	1,401.9	129.9
Sovereigns	958.3	172.0	4.1	2.2	954.2	174.2
Technology	1,812.5	66.3	490.2	42.4	1,322.3	108.7
Transportation	2,295.8	216.5	523.4	41.8	1,772.4	258.3
U.S. Government Agencies and Municipalities	5,030.1	745.5	299.6	9.8	4,730.5	755.3
Public Utilities	7,550.9	1,189.2	708.1	42.4	6,842.8	1,231.6
Total	$ 45,291.5	$ 4,261.2	$ 8,435.4	$ 1,067.2	$ 36,856.1	$ 5,328.4

The following two tables show the length of time our investment-grade and below-investment-grade fixed maturity securities portfolios had been in a gross unrealized loss position as of March 31, 2020 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 March 31, 2020. The increase in the unrealized loss on fixed maturity securities during the first quarter of 2020 was primarily from the significant widening of credit spreads offset somewhat by the decrease in the U.S. Treasury rates that occurred due to COVID-19.

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

(in millions of dollars)

	2020	2019			
	March 31	December 31	September 30	June 30	March 31
Fair Value < 100% >= 70% of Amortized Cost					
<= 90 days	$ 499.4	$ 13.8	$ 4.3	$ 3.8	$ 3.0
> 90 <= 180 days	0.1	2.0	1.9	—	3.4
> 180 <= 270 days	—	—	—	0.6	7.4
> 270 days <= 1 year	0.3	—	3.1	2.4	24.0
> 1 year <= 2 years	1.8	3.8	6.6	30.6	97.0
> 2 years <= 3 years	3.2	2.8	1.5	8.2	27.1
> 3 years	—	0.8	—	0.2	0.7
Sub-total	504.8	23.2	17.4	45.8	162.6
Fair Value < 70% >= 40% of Amortized Cost					
<= 90 days	145.2	—	—	—	—
> 90 <= 180 days	—	0.3	—	—	1.6
> 180 <= 270 days	0.2	—	—	1.6	—
> 270 days <= 1 year	—	—	0.3	—	—
> 1 year <= 2 years	—	—	—	11.1	11.1
Sub-total	145.4	0.3	0.3	12.7	12.7
Total	$ 650.2	$ 23.5	$ 17.7	$ 58.5	$ 175.3

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

(in millions of dollars)

	2020	2019			
	March 31	December 31	September 30	June 30	March 31
Fair Value < 100% >= 70% of Amortized Cost					
<= 90 days	$ 167.0	$ 0.5	$ 5.1	$ 6.1	$ 1.0
> 90 <= 180 days	0.7	3.1	10.3	1.3	2.1
> 180 <= 270 days	0.8	5.1	1.5	1.4	3.8
> 270 days <= 1 year	4.4	0.9	0.9	6.3	1.3
> 1 year <= 2 years	0.8	17.5	31.0	26.3	29.1
> 2 years <= 3 years	12.1	1.3	0.3	—	10.6
> 3 years	11.5	13.7	5.2	22.6	28.8
Sub-total	197.3	42.1	54.3	64.0	76.7
Fair Value < 70% >= 40% of Amortized Cost					
<= 90 days	114.6	—	—	—	—
> 90 <= 180 days	2.7	—	12.0	—	—
> 180 <= 270 days	12.8	15.1	—	—	—
> 270 days <= 1 year	12.5	—	—	—	—
> 1 year <= 2 years	5.7	—	—	—	—
> 2 years <= 3 years	1.2	—	12.7	11.7	—
> 3 years	10.6	10.5	21.6	14.2	7.2
Sub-total	160.1	25.6	46.3	25.9	7.2
Fair Value < 40% of Amortized Cost					
<= 90 days	9.6	—	—	—	—
> 270 days <= 1 year	15.7	—	—	—	—
> 1 year <= 2 years	8.5	—	—	—	—
> 2 years <= 3 years	9.0	—	—	—	—
> 3 years	16.8	—	—	—	12.6
Sub-total	59.6	—	—	—	12.6
Total	$ 417.0	$ 67.7	$ 100.6	$ 89.9	$ 96.5

The following table shows our fixed maturity securities with a gross unrealized loss of $10.0 million or greater, by industry type.

Gross Unrealized Losses $10 Million or Greater on Fixed Maturity Securities
As of March 31, 2020

(in millions of dollars)

Classification		Fair Value		Gross Unrealized Loss	Number of Issuers
Investment-Grade					
Energy	$	643.1	$	233.0	12
Consumer Cyclical		73.3		11.3	1
Total	$	716.4	$	244.3	13
Below-Investment-Grade					
Energy	$	196.7	$	169.6	8
Consumer Non-Cyclical		61.0		16.1	1
Technology		5.6		14.4	1
Total	$	263.3	$	200.1	10

At March 31, 2020, we held three investment grade fixed maturity securities each with a gross unrealized loss greater than $20.0 million. These securities are related to oil and natural gas producers and had a fair value of $145.3 million and a gross unrealized loss of $106.1 million. We also held three below-investment grade fixed maturity securities each with a gross unrealized loss greater than $20.0 million at March 31, 2020 related to oil and natural gas producers with a fair value of $126.3 million and a gross unrealized loss of $107.5 million. We have the ability and intend to continue to hold these securities to recovery of amortized cost and believe that no credit losses have occurred.

During the first quarter of 2020, we recognized the following credit losses greater than $10 million:

- $20.8 million on fixed maturity securities issued by an oil and gas producer. The profitability of the company has been impacted by the decline in oil prices. Given the current environment, near term debt maturities may be difficult to refinance.
- $17.1 million on fixed maturity securities issued by an oil and gas producer. The profitability of the company has been impacted by the decline in oil prices and the company has a high level of debt. The company filed for bankruptcy as expected in early April 2020.
- $10.2 million on fixed maturity securities issued by a paper company whose sales of lumber and other products have been impacted by the slowdown in the economy.

We had no individual realized investment losses of $10.0 million or greater from impairments during the first quarter of 2019 and no individual realized investment losses of $10.0 million or greater from the sale of fixed maturity securities during the first quarter of 2020 or 2019.

At March 31, 2020, our mortgage/asset-backed securities had an average life of 6.03 years, effective duration of 3.5 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 March 31, 2020, the amortized cost and fair value of our below-investment-grade fixed maturity securities was $3,350.9 million and $2,988.4 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 - Energy Sector

Our investment portfolio has exposure to companies whose businesses are negatively impacted by lower oil and natural gas prices. These include exploration and production companies, refineries, midstream pipeline companies, and oilfield service businesses. The sharp decline in energy prices and lack of demand due to COVID-19, which began to occur in the first quarter of 2020, put pressure on the earnings and cash flows of these businesses. The degree to which a business is affected by energy prices can vary greatly depending on, among other things, its energy subsector, geographic locations, cost structure flexibility, capital structure, and hedging policies.

At March 31, 2020, approximately one-half of our exposure to the energy sector was represented by the midstream (pipeline) subsector which tends to be more correlated to product volume sales than to commodity prices. Approximately twenty-four percent of our exposure is in the oil and gas independent exploration and production subsector where demand for products is highly correlated with oil and gas prices. Approximately eighteen percent of our exposure is in the integrated subsector which is comprised of large highly rated companies. The majority of our energy sector holdings are investment-grade fixed maturity securities. During the first quarter of 2020, in addition to the credit losses related to energy sector securities as previously discussed that totaled $37.9 million, we also recognized credit losses totaling $3.6 million. We also recorded losses totaling approximately $17 million in net investment income for the first quarter of 2020 due primarily to the decrease in the fair value of two perpetual preferred securities in the energy sector.

At March 31, 2020, the fair value of investment-grade fixed maturity securities in the energy sector was $3,392.1 million, with a gross unrealized gain of $212.5 million and a gross unrealized loss of $331.5 million. The fair value of below-investment-grade fixed maturity securities in the energy sector was $342.7 million, with a gross unrealized loss of $230.7 million. The following table shows additional information related to our holdings in the energy sector.

Fixed Maturity Securities - Energy Sector
As of March 31, 2020

(in millions of dollars)

Classification	Fair Value	Net Unrealized Gain (Loss)	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
Midstream	$ 1,838.5	$ (148.4)	$ 1,021.5	$ 217.7	$ 817.0	$ 69.3
Oil and Gas-Independent	877.6	(267.6)	582.7	307.0	294.9	39.4
Oil Field	68.1	(14.0)	67.1	14.0	1.0	—
Oil-Integrated	690.1	86.4	73.6	13.0	616.5	99.4
Oil-Refining	225.3	(6.3)	156.4	10.4	68.9	4.1
Other Energy	35.2	0.2	9.9	0.1	25.3	0.3
Total	$ 3,734.8	$ (349.7)	$ 1,911.2	$ 562.2	$ 1,823.6	$ 212.5

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

The carrying value of our mortgage loan portfolio was $2,452.1 million and $2,397.0 million at March 31, 2020 and December 31, 2019, respectively. Our investments in mortgage loans are carried at amortized cost less an allowance for credit losses. Our mortgage loan portfolio is comprised entirely of commercial mortgage loans. Our mortgage loan portfolio is well diversified geographically and among property types. Due to conservative underwriting, the incidence of problem mortgage loans and foreclosure activity continues to be low. We held no impaired mortgage loans at March 31, 2020 or December 31, 2019. Effective January 1, 2020, we adopted a new accounting standard requiring the estimation of an allowance for expected credit losses which was $11.1 million at March 31, 2020. See Note 2 and 4 in the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further discussion of our mortgage loan portfolio and the allowance for expected credit losses.

Private Equity Partnerships

The carrying value of our investments in private equity partnerships was $638.1 million and $616.7 million at March 31, 2020 and December 31, 2019, respectively. These partnerships are passive in nature and represent funds that are primarily invested in private credit, private equity, and real assets. The carrying value of the partnerships is based on our share of the partnership's net asset value (NAV) and changes in the carrying value are recorded as a component of net investment income. We receive financial information related to our investments in partnerships generally on a one-quarter lag in accordance with our accounting policy. We recorded $10.4 million of net investment income for the partnerships in the first quarter of 2020 reflecting the market conditions of the fourth quarter of 2019. We estimate that we will recognize losses totaling approximately $30 million to $50 million, or approximately five to eight percent of the carrying value of our portfolio, in the second quarter of 2020 as we receive financial statements from the partnerships for the first quarter of 2020 that will reflect the impact of current economic conditions. During the first quarter of 2020, U.S. equity markets were severely depressed as a result of COVID-19 and although our partnership investments are not directly correlated with those markets, their results were negatively impacted as a result of lower asset fair values. The majority of our investments in partnerships are not redeemable. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments and there is generally not a public market for these investments. We had $524.0 million of commitments for additional investments in the partnerships at March 31, 2020 which may or may not be funded. See Note 3 in the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further discussion of our private equity partnerships.

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. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. Our credit exposure on derivatives was $1.1 million at March 31, 2020. We held $59.7 million of net cash collateral from our counterparties at March 31, 2020. The carrying value of fixed maturity securities posted as collateral to our counterparties was $11.7 million at March 31, 2020. 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 $34.8 million and $30.5 million on a fair value basis at March 31, 2020 and December 31, 2019, 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, 2019, and Notes 3, 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 March 31, 2020, Unum Group and our intermediate holding companies held fixed maturity securities, short-term investments, and cash of $1,025 million. Fixed maturity securities consisted primarily of mortgage/asset-backed securities with an average maturity of 3.2 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. Dividends repatriated from our foreign subsidiaries are eligible for 100 percent exemption from U.S. income tax but may be subject to withholding tax and/or 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. We did not repurchase shares during the first three months of 2020 and do not expect to resume repurchases through the remainder of our currently authorized repurchase program, which expires in November 2020. The dollar value of shares remaining under the current repurchase program was approximately $516 million at March 31, 2020. See Note 10 of the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Liquidity and Capital Resource Considerations - COVID-19

We believe we have the appropriate liquidity and access to capital to avoid significant disruption to our operations. We have not yet experienced a significant decline in the collection of premiums and have also not yet experienced a significant increase in submitted claims, however, we continually monitor the developments of these items.

Regarding liquidity, at March 31, 2020, we have borrowed $451.7 million of funds through the membership of certain of our U.S. insurance subsidiaries with regional FHLBs. Similar to our previous advances, these funds are used for the purpose of investing in either short-term investments or fixed maturity securities but may be utilized for liquidity if the need arises. Additionally, we have access to two unsecured revolving credit facilities under separate syndicates of lenders that allow us to borrow up to a total of $600 million. There are currently no outstanding borrowings on these facilities but we remain in compliance with required covenants should we choose to borrow in the future. Furthermore, excluding the upcoming maturity of our $400.0 million aggregate principal amount of 5.625% unsecured notes due in the third quarter of 2020, which we funded through an issuance of debt during the second quarter of 2019, we have no significant upcoming debt maturities until 2024. We continue to meet the financial covenants contained in our current debt agreements and credit facilities, and we expect that we will continue to meet those covenants in subsequent periods.

To the extent that we begin to experience a significant decrease in collection of premiums and/or an increase in claim payments, our liquidity would be negatively impacted and would likely result in the sale of highly liquid invested assets or borrowings on our credit facilities to meet operational cash flow requirements.

See "Debt" and "Transfers of Financial Assets" for further discussion of our debt arrangements, credit facilities, and of our FHLB arrangements contained herein in this Item 2. For further discussion of the key considerations regarding the impacts of COVID-19 see "Executive Summary" herein Item 2.

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 March 31, 2020 are in line with our expectations and are significantly above the level that would require state regulatory action.

In connection with a financial examination of Unum Life Insurance Company of America (Unum America), which is expected to close at the end of the second quarter of 2020, the Maine Bureau of Insurance (MBOI) has concluded that Unum America's long-term care statutory reserves are deficient by $2.1 billion as of December 31, 2018, the financial statement date of the examination period. The MBOI granted permission to Unum America on May 1, 2020, to phase in the additional statutory reserves over seven years beginning with year-end 2020 and ending with year-end 2026. The 2020 phase-in amount is estimated to be between $200 million and $250 million. This strengthening will be accomplished by our actuaries incorporating explicitly agreed upon margins into our existing assumptions for annual statutory reserve adequacy testing. These actions will add margin to Unum America's best estimate assumptions. Our long-term care reserves and financial results reported under generally accepted accounting principles are not affected by the MBOI's examination conclusion. We plan to fund the additional statutory reserves with expected cash flows.

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 2020, 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 three months of 2020, we made contributions of $17.0 million and £1.0 million to our U.S. and U.K. defined contribution plans, respectively, and expect to make additional contributions of approximately $58 million and £3 million during the remainder of 2020. 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 three months 2020. We do not expect to make any further contributions to either plan during 2020. 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 March 31, 2020 consisted entirely of our 5.625% senior unsecured notes due in the third quarter of 2020, with deferred debt costs of $0.2 million included in the carrying amount.

Our long-term debt balance at March 31, 2020 was $2,914.3 million, net of deferred debt issuance costs of $34.4 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 $15.0 million in the first three months of 2020.

We have access to two separate unsecured revolving credit facilities, each with a different syndicate of lenders. One of our credit facilities is under a five-year agreement and is effective through April 2024. The terms of this agreement provide for a borrowing capacity of $500.0 million with an option to be increased up to $700.0 million. We may also 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 March 31, 2020, letters of credit totaling $0.6 million had been issued from this credit facility, but there were no borrowed amounts outstanding.

Our other credit facility is under a three-year agreement and is effective until April 2022. The terms of this agreement provide for a borrowing capacity of $100.0 million with an option to be increased up to $140.0 million. We may also 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 March 31, 2020, 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 of our debt or credit facility covenants. See "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, 2019 for further discussion.

Commitments

At March 31, 2020, we had unfunded unconditional commitments of $1.9 million to fund tax credit partnership investments and $12.6 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 $88.8 million to fund certain investments in private placement fixed maturity securities, $524.0 million to fund certain private equity partnerships, and $17.5 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, 2019. During the first three months of 2020, 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. As of March 31, 2020, we did not receive cash collateral from securities agreements. The average balance during the first three months of 2020 was de minimis. In addition, at March 31, 2020, we had $5.5 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 three months of 2020 was $153.6 million, and the maximum amount outstanding at any month end was $234.3 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 March 31, 2020, nor did we utilize any repurchase agreements during first three months of 2020. 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 March 31, 2020, we owned $34.0 million of FHLB common stock and had outstanding advances of $451.7 million 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)

	Three Months Ended March 31	
	2020	2019
Net Cash Provided by Operating Activities	$ 219.9	$ 516.8
Net Cash Provided (Used) by Investing Activities	122.6	(365.2)
Net Cash Used by Financing Activities	(89.4)	(183.5)
Net Change in Cash and Bank Deposits	$ 253.1	$ (31.9)

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.

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 FHLB funding advances, 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 maturing debt, 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, repurchase of common stock, and dividends paid to stockholders.

During each of the first three months of 2020 and 2019 we made principal payments of $15.0 million on our senior secured non-recourse notes issued by Northwind Holdings.

Cash used to repurchase shares of Unum Group's common stock during the first quarter of 2019 was $100.0 million. During the first three months of 2020 and 2019 we paid dividends of $57.8 million and $55.7 million, respectively, to holders of Unum Group's common stock.

See Notes 10 and 12 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	Negative	Stable
Issuer Credit Ratings	bbb	BBB-	Baa3	BBB
Financial Strength Ratings				
Provident Life and Accident Insurance Company	A	A-	A3	A
Provident Life and Casualty Insurance Company	A	A-	NR	NR
Unum Life Insurance Company of America	A	A-	A3	A
First Unum Life Insurance Company	A	A-	A3	A
Colonial Life & Accident Insurance Company	A	A-	A3	A
The Paul Revere Life Insurance Company	A	A-	A3	A
Starmount Life Insurance Company	A-	NR	NR	NR
Unum Insurance Company	A-	A-	A3	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.

On April 16, 2020, Fitch downgraded the financial strength rating on our rated domestic insurance subsidiaries from A to A- and the issuer credit rating on our senior debt obligations from BBB to BBB- due to ongoing concerns regarding our long-term care exposure and the adequacy of those reserves. In addition, Fitch also maintained a negative outlook following the downgrade due to concerns over the current COVID-19 pandemic and the impact it may have on our financial position and operating results, particularly as it relates to investment returns and claims incidence.

On May 4, 2020, Moody's downgraded the financial strength rating on our rated domestic insurance subsidiaries from A2 to A3 and the issuer credit rating on our senior debt obligations from Baa2 to Baa3 due to concerns around capital flexibility related to future funding requirements for our long-term care reserves. In addition, Moody's updated their outlook from stable to negative due to concerns over the current COVID-19 pandemic and the impact it may have on our financial position and operating results.

Also on May 4, 2020, S&P affirmed their ratings and outlook on our rated insurance subsidiaries and issuer credit ratings on our senior debt obligations.

There have been no other changes in the rating agencies' outlooks or ratings during 2020 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. We have ongoing dialogue with the rating agencies concerning our insurance risk profile, our financial flexibility, our operating performance, and the quality of our investment portfolios. The rating agencies provide specific criteria and, depending on our performance relative to the criteria, will determine future negative or positive rating agency actions.

See our annual report on Form 10-K for the year ended December 31, 2019 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, 2019. During the first three months of 2020, 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 report. We evaluated those controls based on 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 March 31, 2020.

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 March 31, 2020 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

In addition to the other information set forth within this report, consideration should be given to the information disclosed in Item 1A "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2019 and the following risk factor we have added regarding the impacts of the coronavirus disease (COVID-19), which reemphasizes risk factors we have previously disclosed, addresses certain new risks, and provides specific context under the current environment.

The COVID-19 pandemic is negatively impacting certain aspects of our business and, depending on severity and duration, could have a material adverse effect on our financial position, results of operations, liquidity and capital resources, and overall business operations.

The COVID-19 pandemic has caused significant disruption to the global economy and may result in unfavorable impacts to our company as well as the overall insurance industry. Due to the unprecedented nature of these events and the current pace of change in this environment, we cannot fully estimate the duration or ultimate impact of the COVID-19 pandemic at this time. Further events that we are unable to control, such as the further spread or spikes in the number of cases of COVID-19 or the emergence of new strains of coronavirus, and the related responses by government authorities and businesses, may heighten the impacts of COVID-19 and present additional risks. We are closely monitoring several key risks related to our business that may potentially have adverse impacts on our business.

We may experience a significant deterioration or delay in the collectability of premiums from both our group and individual customers due to a rise in unemployment levels, the deterioration of economic conditions and the general uncertainty regarding the financial situation of our customers. Additionally, certain states and other governing bodies have granted premium payment extensions for policyholders while still requiring insurers to pay claims, which, if continued or expanded may put significant strain on our liquidity and capital position in the near term. We are working closely with our customers to understand their respective financial conditions and, if necessary, may develop solutions on a case-by-case basis to allow for additional payment flexibility. However, we may be unable to achieve solutions with some customers that materially improve the likelihood of premium collectability, or such solutions may have other negative consequences to our business. As such, we may experience significant lapse activity which may put strain on our liquidity and capital position and may also result in a decline in both premium income and persistency, particularly if customers do not ultimately return following a lapse. Further, adverse economic conditions may adversely affect the discretionary spending of current or potential customers, which may result in lower sales or other negative changes to customer purchasing patterns.

Depending on the duration and severity of the current economic uncertainty, we may experience an increase in claims incidence due to COVID-19-related claims, particularly in our short-term disability product line, and may also experience unfavorable claim trends due to the historical correlation between economic uncertainty and claims incidence. Unfavorable developments in these factors may adversely impact our liquidity and capital position as well as our reserve margins and overall profitability.

Although we have access to significant amounts of capital, which include credit facilities, FHLB arrangements, and the ability to liquidate certain investments, it may be insufficient or even inaccessible if we are not in compliance with required covenants under our borrowing arrangements or if the associated lenders are unable to provide funds. In addition, if investment markets become illiquid or severely impaired, we may be unable to liquidate our investments in a timely manner.

On April 16, 2020, Fitch downgraded the financial strength ratings on our rated domestic insurance subsidiaries and the issuer credit rating on our senior debt obligations, primarily due to ongoing concerns regarding our historic long-term care exposure and the adequacy of the reserves, and placed us on negative outlook in large part due to the effects of the COVID-19 pandemic. On May 4, 2020, Moody's downgraded our financial strength and issuer credit ratings due to concerns around capital flexibility related to future funding requirements for our long-term care reserves, and placed us on negative outlook due to concerns over the COVID-19 pandemic and the impact it may have on our financial position and operating results. If our financial strength or credit default ratings were to be further downgraded as a result of the disruptions caused by the COVID-19 pandemic, our business could be negatively affected, including our relationship with distribution partners, our ability to compete and our cost of capital and ability to raise additional capital.

Regarding our financial position and results of operations, the current economic disruption may result in adverse impacts to our future profitability and growth and may also alter the timing and magnitude of our plans for overall business expansion. As previously indicated, we may experience slower premium growth or even declines in premium income resulting from lower sales and persistency. In response to the disruptive economic effects of the COVID-19 pandemic, the Federal Reserve has taken actions to reduce interest rates, and the potential for a sustained low interest rate environment is magnified by the effects of COVID-19 on economic conditions. Further declines in interest rates or the continuance of low interest rates may place substantial pressure on our profit margins as well as on the discount rates used to calculate our insurance liabilities. Furthermore, the current economic conditions may result in the inability for companies to make interest and principal payments on their debt securities or mortgage loans that we hold for investment purposes. Accordingly, although we maintain a disciplined approach regarding our overall investment strategy, we may still incur significant losses that can result in a decline in net investment income and/or material increases in credit losses on our investment portfolio. With respect to our benefits experience, as previously discussed, we may experience higher claims incidence directly related to COVID-19 claims as well as due to generally higher incidence associated with an economic downturn. Other potentially unfavorable impacts that we may experience include the write-off or impairment of intangible/long-lived assets such as DAC, value of business acquired, and goodwill, or the establishment of a valuation allowance regarding the realization of our deferred tax assets.

From an operational perspective, our employees, sales associates, brokers and distribution partners, as well as the workforces of our vendors, service providers and counterparties, may also be adversely affected by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely, and other social distancing measures. The social distancing measures could result in an adverse impact on our ability to conduct our business, including in our ability to sell our policies, including policies that are traditionally sold in person, and our ability to adjudicate and pay claims in a timely manner. Additionally, the vast majority of our employees are currently working remotely and have been doing so for an extended length of time. This working environment is unprecedented and may expose us to various additional risks that range from potential increases in inefficiency as our employees adapt to their new working environment to more specific risks such as elevated cyber-security vulnerability resulting from the wide-scale remote usage of our company networks and risks to the effectiveness of our internal controls over financial reporting.

See "Executive Summary", "Segment Operating Results", and "Liquidity and Capital Resources" included herein Part 1, Item 2 under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion.

To the extent the COVID-19 pandemic adversely affects our business, financial position, results of operations, liquidity and capital resources, and overall business operations, it may also have the effect of heightening many of the other risks disclosed in disclosed in Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and any subsequent Quarterly Reports on Form 10-Q and other filings we make with the SEC.

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

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. No shares were purchased during the first quarter of 2020. At March 31, 2020, the approximate dollar value of shares that may yet be purchased under the program was $516.2 million, however, we do not expect to resume repurchases through the remainder of our currently authorized repurchase program.

ITEM 6. EXHIBITS

Index to Exhibits

(3.1)	Amended and Restated Bylaws of Unum Group, effective February 18, 2020 (incorporated by reference to Exhibit 3.1 of Unum Group's Form 8-K filed on February 24, 2020).
(10.1)	Form of Performance Share Unit Agreement with Employee in U.S. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017.
(10.2)	Form of Performance Share Unit Agreement with Employee in U.K. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017.
(31.1)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	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.
(32.2)	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.
(101)	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
(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: May 5, 2020	By:	/s/ Steven A. Zabel
		Steven A. Zabel
		Executive Vice President and Chief Financial Officer
Date: May 5, 2020	By:	/s/ Cherie A. Pashley
		Cherie A. Pashley
		Senior Vice President, Chief Accounting Officer

Exhibit 10.1

PERFORMANCE SHARE UNIT AGREEMENT WITH EMPLOYEE
(Unum Group Stock Incentive Plan of 2017)

THIS AGREEMENT (this "Agreement"), dated as of **[Grant Date]**, is entered into by and between Unum Group, a Delaware corporation (the "Company"), and **[Participant Name]** (the "Employee").

W I T N E S S E T H

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. Grant, Vesting and Forfeiture of Performance Share Units.

(a) Grant. Subject to the provisions of this Agreement and to the provisions of the Unum Group Stock Incentive Plan of 2017 (as the same may be amended, the "Plan"), the Company hereby grants to the Employee, as of **[Grant Date]** (the "Grant Date"), **[Number Granted]** Performance Share Units (the "Performance Share Units"), each with respect to one share of common stock of the Company, par value $0.10 per Share. All capitalized terms used herein, to the extent not defined, shall have the meaning set forth in the Plan.

(b) Earning Performance Share Units/Performance Period.

(i)Earning Performance Share Units. Subject to Section 1(b)(ii) and 1(c) below, the Employee shall earn a percentage of the Performance Share Units in accordance with Schedule A on the date that the Committee certifies that the Company has achieved the performance goals set forth on Schedule A, which date shall be no later than two and a half months after the end of the performance period extending from January 1, **[Year]** to December 31, **[Year+2]**, inclusive (the "Performance Period").

(ii)Performance Period. Subject to the terms and conditions of this Agreement, the Performance Share Units earned pursuant to Section 1(b)(i) shall vest and no longer be subject to any restriction upon the expiration of the Performance Period.

(c) Termination of Employment.

(i)General. Upon the Employee's Termination of Employment for any reason (other than as specified in Section 1(c)(ii) or 1(c)(iii) below) during the Performance Period, all Performance Share Units still subject to restriction shall be forfeited.

(ii)Job Elimination or Requalification; Good Reason. In the event of the Employee's Termination of Employment during the Performance Period by the Company as a result of job elimination or requalification, the Employee shall earn a number of Performance Share Units equal to the product of (x) the number of Performance Share Units determined in accordance with Section 1(b)(i) and (y) a fraction, the numerator of which is the number of full and partial months that have lapsed from the first day of the Performance Period until the date of the Termination of Employment and the denominator of which is the total number of months in the Performance Period; *provided*, *that*, in the case of the Employee's Termination of Employment under such circumstances, the Employee does not breach the PSU Restrictions (as defined in Section 5 below) and the Employee executes and submits to the Company within 10 business days following the last day of each year following such Termination of Employment during the Restricted Period (as defined in Section 5 below) a certification in the form provided to the Employee by the Company that states that the Employee has adhered to and complied with the PSU Restrictions (the "Certification"). Such Performance Share Units shall be settled at such time as the Performance Share Units would be settled in accordance with Section 2. For the avoidance of doubt, in the event that the Employee incurs a Termination of Employment during the Performance Period by the Company as a result of job elimination or requalification and the Employee fails to comply with the PSU Restrictions or fails to execute and submit the Certification, the Performance Share Units will be forfeited. The benefits and conditions (including the obligations to adhere to and comply with the PSU Restrictions and the requirement to execute and submit the Certification) described this Section 1(c)(ii) shall also apply upon a Termination of Employment by the Employee for Good Reason if the Company has entered into a separate written agreement with the Employee providing for payments upon a Termination of Employment for Good Reason not upon or following a Change in Control, in which case "Good Reason" shall have the meaning ascribed to it in such agreement; *provided*, *that*, if the Employee is eligible for Retirement at the time of the Employee's Termination of Employment by the Employee for Good Reason, the vesting of such Employee's Performance Share Units shall be governed by Section 1(c)(iii) below.

(iii)Retirement/Death/Disability; Retirement Definition. In the event of the Employee's Termination of Employment during the Performance Period due to the Employee's death, Disability or Retirement, the Employee shall earn a number of Performance Share Units equal to the number of Performance Share Units determined in accordance with Section 1(b)(i), assuming that the Employee had remained employed through the Performance Period; *provided*, *that*, in the case of the Employee's Retirement or Disability, the Employee does not breach the PSU Restrictions and the Employee (or in the case of the Employee's Disability, the Employee's legal representative on behalf of the Employee, if applicable) executes and submits to the Company within 10 business days following the last day of each year during the Restricted Period following such Termination of Employment the Certification. Such Performance Share Units shall be settled at such time as the Performance Share Units would be settled in accordance with Section 2. For the avoidance of doubt, in the event that the Employee incurs a Termination of Employment during the Performance Period due to the Employee's Retirement or Disability and the Employee fails to comply with the PSU Restrictions or fails to execute and submit the Certification, the Performance Share Units will be forfeited. For purposes of this Agreement and notwithstanding section 1(*ll*) of the Plan, "Retirement" shall mean the Employee's Termination of Employment after (x) the attainment of age 65, (y) the attainment of age 55 and at least 15 years of continuous service if, as of December 31, 2013, the Employee was a participant in the Company's long-term incentive program, was at least age 50 and had at least 10 years of continuous service, or (z) the attainment of age 60 and at least 15 years of continuous service, in each case only if such Termination of Employment is approved as a "Retirement" by (1) the Committee in the case of an Employee who is subject to Section 16 of the Exchange Act, or (2) the Chief Executive Officer or Executive Vice President, People and Communications, in the case of all other individuals. Notwithstanding the foregoing or section 1(*ll*) of the Plan, in the event that Employee is subject to the laws of a foreign jurisdiction where the above definition would violate applicable law, "Retirement" shall mean the Employee's Termination of Employment where the Employee ceases employment with the intention of ceasing to do any further work and on a date that has been agreed by both the Company and the Employee in writing in advance in compliance with such local legal requirements.

(iv)Employment. For purposes of this Agreement, employment with the Company shall include employment with the Company's Affiliates and successors. Nothing in this Agreement or the Plan shall confer upon the Employee any right to continue in the employ of the Company or any of its Affiliates or interfere in any way with the right of the Company or any such Affiliates to terminate the Employee's employment at any time.

2. Settlement of Units.

Subject to Section 9 (pertaining to the withholding of taxes), and except as otherwise provided in Section 6, as soon as practicable after the date on which the Performance Period expires and the Committee certifies that the Company has achieved the performance goals set forth on Schedule A, and in no event later than two and a half months after the end of the Performance Period, the Company shall deliver to the Employee or his or her personal representative, in book-position or certificate form, one Share that does not bear any restrictive legend making reference to this Agreement for each Performance Share Unit earned pursuant to this Agreement.

3. Nontransferability of the Performance Share Units.

During the Performance Period and until such time as the Performance Share Units are ultimately settled as provided in Section 2 above, the Performance Share Units and Shares covered by the Performance Share Units shall not be transferable by the Employee by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise; *provided, however*, that nothing in this Section 3 shall prevent transfers by will or by the applicable laws of descent and distribution. Any purported or attempted transfer of such Performance Share Units or Shares in contravention of this Section 3 shall be null and void.

4. Rights as a Stockholder.

During the Performance Period and until such time as the Performance Share Units are ultimately settled as provided in Section 2 above, the Employee shall not be entitled to any rights of a stockholder with respect to the Performance Share Units (including, without limitation, any voting rights); *provided* that with respect to any dividends paid on Shares underlying the Performance Share Units, such dividends will be notionally accounted for and shall vest and be settled in cash at such time as, and in the same ratio and only to the extent that, the underlying Performance Share Units vest and are settled.

5. Confidentiality; Non-Competition; Non-Solicitation; Non-Disparagement.

(a) The Employee acknowledges that during the course of employment or engagement with the Company and its Affiliates the Employee has received and will continue to have access and exposure to secret and proprietary information, including but not limited to information about the Company's and its Affiliates' business, business practices and processes, customers, and prospective customers, the value of which is derived in part from the fact that the information is not generally known to the public (“Confidential Information”). The Employee acknowledges that the Company and its Affiliates have spent significant time, effort and resources protecting the Confidential Information and that the Confidential Information has contributed to customer goodwill and is of significant competitive value to the Company and its Affiliates in the businesses in which they compete, and that the use or disclosure, even if inadvertent, of the Confidential Information to or for the benefit of a competitor would cause significant damage to the legitimate business interests of the Company and its Affiliates. Accordingly, in order to protect the legitimate business and customer goodwill interests of the Company and its Affiliates, to protect the Confidential Information against inappropriate use or disclosure, and in consideration of the grant of and the opportunity to earn the Performance Share Units in accordance with the provisions of this Agreement, the Employee hereby covenants and agrees to comply with the confidentiality, non-competition, non-solicitation and non-disparagement provisions set forth in this Section 5(a) (collectively, the “PSU Restrictions”). Except to the extent expressly provided otherwise below, the Employee agrees to comply with the PSU Restrictions for the period commencing on the Grant Date and extending through the later of (1) the expiration of the Performance Period, in the event of the Employee’s Termination of Employment during the Performance Period (A) by the Company as a result of job elimination or requalification, (B) by the Employee for Good Reason (if the Company has entered into a separate written agreement with the Employee providing for payments upon a Termination of Employment for Good Reason not following a Change in Control), or (C) due to the Employee’s Retirement or Disability and (2) the date that is 12 months following the Employee’s Termination of Employment for any reason (such period, the “Restricted Period”).

(i)The Employee will use Confidential Information gained during employment or engagement with the Company or any Affiliate for the benefit of the Company only and, without the prior written consent of the Company, shall not, at any time during the Restricted Period or thereafter, directly or indirectly, divulge, reveal or communicate any Confidential Information to any person or entity whatsoever, or use any Confidential Information for the Employee’s own benefit or for the benefit of others, other than as required by law or legal process. For purposes of the foregoing, Confidential Information shall not include information that was or is available to the Employee on a non-confidential basis from a source other than the Company or becomes generally available to the public, other than as a result of disclosure by the Employee.

(ii)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of, or be employed by, consult with, render services for, or be connected in any other manner with, any Competing Business, whether for compensation or otherwise. For the purposes of this Agreement, a “Competing Business” shall be any business in the United States which is engaged in the sale or provision of employee benefits or other products or services of the type offered by the Company or its Affiliates (including without limitation, life, critical illness, income protection, disability, accident, dental, vision, or hospital indemnity insurance), unless the Employee’s primary duties and responsibilities with respect to such business are not related to the management, operation or provision of such products or services. Notwithstanding the requirements of this paragraph, the Employee shall not be prohibited from owning less than 1% of any publicly traded corporation, whether or not such corporation is deemed to be a Competing Business.

(iii)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, either for the Employee’s own benefit or purpose or for the benefit or purpose of any other person or entity, solicit, assist, or induce any Covered Employee to terminate his or her relationship with the Company or its Affiliates (regardless of who first initiates the communication), or help another person or entity evaluate any Covered Employee as an employment candidate or offer to employ, call on, or actively interfere with the Company’s or any Affiliate’s relationship with any Covered Employee, *provided* that this paragraph shall not prohibit general solicitations in the form of classified advertisements or the like in newspapers, on the internet, or in other media. For purposes of this Agreement, “Covered Employee” means an individual who is an employee, representative, or officer of the Company or any Affiliate at the time of the solicitation, assistance, or inducement or as of the date of the Employee's Termination of Employment.

(iv)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, either for the Employee’s own benefit or purpose or for the benefit or purpose of any other person or entity, use any Confidential Information to solicit or accept any business from any customers of the Company or any Affiliate, or any broker with regard to customers of the Company or any Affiliate (regardless of who first initiates the communication), whom the Employee serviced, solicited or had contact with while employed or engaged by the Company or any Affiliate.

(v)The Employee shall not, at any time during the Restricted Period, directly or indirectly, disparage or make any statement, oral or written, public or in private, which is reasonably foreseeable as harming the Company’s or any Affiliate’s business interests or impacts negatively on the Company’s or any Affiliate’s business reputation or reputation in the community. Nothing in this paragraph will be construed to prevent the Employee from communicating with or responding to a request for information from a federal, state, administrative agency or court.

(b) Any termination of the Employee's employment or the termination or expiration of this Agreement shall have no effect on the continuing operation of this Section 5.

(c) The terms and provisions of this Section 5 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision of this Agreement shall thereby be affected. The parties hereto acknowledge that the potential restrictions on the Employee's future employment imposed by this Section 5 are reasonable in both duration and geographic scope and in all other respects. If for any reason any court of competent jurisdiction shall find any provisions of this Section 5 unreasonable in duration or geographic scope or otherwise, the Employee and the Company agree that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law in such jurisdiction.

(d) The Employee acknowledges and agrees that any breach or threatened breach of the PSU Restrictions will result in substantial, continuing and irreparable injury to the Company and/or its Affiliates. Therefore, in addition to any other remedy that may be available to the Company and/or its Affiliates, the Company and/or its Affiliates shall be entitled to equitable and/or injunctive relief to prevent any breach or threatened breach of such provisions, and to specific performance of each of the terms thereof in addition to any other legal or equitable remedies that the Company or any Affiliate may have. Without limiting the foregoing, if the Employee violates any PSU Restrictions, then all of the Employee's outstanding Performance Share Units hereunder shall immediately be forfeited.

6. Adjustment; Change in Control.

In the event of certain transactions during the Performance Period, the Performance Share Units shall be subject to adjustment as provided in Section 3(d) of the Plan or any applicable successor provision under the Plan.

Notwithstanding anything in Section 1 to the contrary, subject to Section 3(d) of the Plan or any applicable successor provision under the Plan, upon the occurrence of a Change in Control the Performance Share Units shall (i) be deemed earned in the number of Performance Share Units originally granted as provided in Section 1(a), without regard to performance (including additional Performance Share Units acquired upon reinvestment of dividends in accordance with Section 4), (ii) shall remain outstanding and shall vest and be subject to restriction until the end of the Performance Period in accordance with Section 1(b)(ii), and (iii) subject to this Section 6, shall be settled by the Company as provided in Section 2. For purposes of this Agreement, Performance Share Units that are deemed earned upon, and remain outstanding following a Change in Control pursuant to this Section 6, shall be referred to as "Assumed PSUs".

Notwithstanding anything in Section 1 to the contrary, (A) upon a Termination of Employment of the Employee occurring upon or during the two years immediately following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by reason of death, Disability or Retirement, by the Company without Cause, or by the Employee for Good Reason (as defined in the Plan, except that if the Employee is covered by a separate written plan or agreement providing for payments upon a Termination of Employment for Good Reason upon or within two years following a Change in Control, then as defined in such plan or agreement), then such Assumed PSUs shall become free of all restrictions and fully vested and shall be settled as soon as practicable following the date of Termination of Employment (but not later than 30 days thereafter); *provided, however*, in each case, that that any Assumed PSUs that constitute "nonqualified deferred compensation" as defined under Section 409A of the Code shall, to the extent necessary to avoid the imposition of penalty taxes under Section 409A of the Code, only be so settled if the Change in Control constitutes a "change in control event" within the meaning of Section 409A of the Code and shall otherwise only be settled on the earliest date permissible under Section 409A of the Code; (B) upon a Termination of Employment of the Employee occurring more than two years following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by reason of death, Disability or Retirement, then such Assumed PSUs shall become free of all restrictions and fully vested and shall be settled in accordance with Section 2 hereof; and (C) upon a Termination of Employment of the Employee occurring more than two years following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by the Company without Cause or by the Employee for Good Reason (as defined in the Plan, except that if the Employee is covered by a separate written agreement providing for payments upon a Termination of Employment for Good Reason not following a Change in Control, then as defined in such agreement), then a portion of such Employee's Assumed PSUs, equal to the full value of the Assumed PSUs multiplied by a fraction, the numerator of which is the number of full and partial months that have lapsed from the first day of the Performance Period until the date of the Termination of Employment and the denominator of which is the total number of months in the Performance Period, shall become free of all restrictions and be vested and shall be settled in accordance with Section 2 hereof (for the avoidance of doubt, if an Employee who is eligible for Retirement incurs a Termination of Employment by the

Company without Cause or by the Employee for Good Reason, the vesting of such Employee's Assumed PSUs shall be governed by subsection (B) hereof). Nothing in this Section 6 shall preclude the Company from settling, upon a Change in Control, any Performance Share Units (to the extent effectuated in accordance with Treasury Reg. § 1.409A-3(j)(4)(ix)).

7. Payment of Transfer Taxes, Fees and Other Expenses.

The Company agrees to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of shares received by an Employee in connection with the Performance Share Units, together with any and all other fees and expenses necessarily incurred by the Company in connection therewith.

8. Other Restrictions.

(a) The Performance Share Units shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the Shares subject or related thereto upon any securities exchange or under any applicable law is required, or (ii) the consent or approval of any government regulatory body is required, then in any such event, the grant of Performance Share Units shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) If the Employee is an insider as described under the Company's Insider Trading Policy (as in effect from time to time and any successor policies), the Employee shall be required to obtain pre-clearance from the General Counsel or Securities Counsel of the Company prior to purchasing or selling any of the Company's securities, including any shares issued upon vesting of the Performance Share Units, and may be prohibited from selling such securities other than during an open trading window. The Employee further acknowledges that, in its discretion, the Company may prohibit the Employee from selling such securities even during an open trading window if the Company has concerns over the potential for insider trading.

9. Taxes and Withholding.

No later than the date as of which an amount first becomes includible in the gross income of the Employee for federal, state, local or foreign income, employment or other tax purposes with respect to any Performance Share Units, the Employee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld with respect to such amount. The obligations of the Company under this Agreement shall be conditioned on compliance by the Employee with this Section 9, and the Company shall, to the extent permitted by law, have the unilateral right to deduct any such taxes from any payment otherwise due to the Employee, including deducting such amount from the delivery of shares upon settlement of the Performance Share Units that gives rise to the withholding requirement.

10. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier, or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

At the most recent address on file at the Company

If to the Company:

Unum Group
1 Fountain Square
Chattanooga, Tennessee 37402
Attention: Executive Compensation, Human Resources

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Section 10. Notices and communications shall be effective when actually received by the addressee. Notwithstanding the foregoing, the Employee consents to electronic delivery of documents required to be delivered by the Company under the securities laws.

11. Effect of Agreement.

This Agreement is personal to the Employee and, without the prior written consent of the Company, shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

12. Laws Applicable to Construction; Consent to Jurisdiction.

The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware. In addition to the terms and conditions set forth in this Agreement, the Performance Share Units are subject to the terms and conditions of the Plan, which is hereby incorporated by reference.

13. Severability.

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

14. Conflicts and Interpretation.

Except with regard to the definition of "Retirement" set forth in Section 1(c)(iii) hereof, in the event of any conflict between this Agreement and the Plan, the Plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (a) interpret the Plan, (b) prescribe, amend and rescind rules and regulations relating to the Plan, and (c) make all other determinations deemed necessary or advisable for the administration of the Plan. The Employee hereby acknowledges that a copy of the Plan has been made available to him and agrees to be bound by all the terms and provisions thereof. The Employee and the Company each acknowledge that this Agreement (together with the Plan) constitutes the entire agreement and supersedes all other agreements and understandings, both written and oral, between the parties or either of them, with respect to the subject matter hereof.

15. Amendment.

The Company may modify, amend or waive the terms of the Performance Share Unit award, prospectively or retroactively, but no such modification, amendment or waiver shall materially impair the rights of the Employee without his or her consent, except as required by applicable law, stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

16. Section 409A.

It is the intention of the Company that the Performance Share Units shall either (a) not constitute "nonqualified deferred compensation" as defined under Section 409A of the Code, or (b) comply in all respects with the requirements of Section 409A of the Code and the regulations promulgated thereunder, such that no delivery of or failure to deliver Shares pursuant to this Agreement will result in the imposition of taxation or penalties as a consequence of the application of Section 409A of the Code. Performance Share Units that (i) constitute "nonqualified deferred compensation" as defined under Section 409A of the Code and (ii) vest as a consequence of the Employee's termination of employment shall not be delivered until the date that the Employee incurs a "separation from service" within the meaning of Section 409A of the Code (or, if the Employee is a "specified employee" within the meaning of Section 409A of the Code and the regulations promulgated thereunder, the date that is six months following the date of such "separation from service"). If the Company determines after the Grant Date that an amendment to this Agreement is necessary to ensure the foregoing, it may make such an amendment, notwithstanding Section 15 above, effective as of the Grant Date or any later date, without the consent of the Employee.

17. Headings.

The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

18. Counterparts.

This Agreement may be executed in counterparts, which together shall constitute one and the same original.

19. Waiver and Release.

In consideration for the granting of the Performance Share Units, the Employee hereby waives any and all claims whether known or unknown that the Employee may have against the Company and its Subsidiaries and Affiliates and their respective directors, officers, shareholders, agents or employees arising out of, in connection with or related to the Employee's employment, except for (1) claims under this Agreement, (2) claims that arise after the date hereof and obligations that by their terms are to be performed after the date hereof, (3) claims for compensation or benefits under any compensation or benefit plan or arrangement of the Company and its Subsidiaries and Affiliates, (4) claims for indemnification respecting acts or omissions in connection with the Employee's service as a director, officer or employee of the Company or any of its Subsidiaries and Affiliates, (5) claims for insurance coverage under directors' and officers' liability insurance policies maintained by the Company or any of its Subsidiaries or Affiliates, (6) any right the Employee may have to obtain contribution in the event of the entry of judgment against the Company as a result of any act or failure to act for which both the Employee and the Company or any of its Subsidiaries or Affiliates are jointly responsible, or (7) claims under the California Fair Employment and Housing Act. The Employee waives any and all rights under the laws of any state (expressly including but not limited to Section 1542 of the California Civil Code), which is substantially similar in wording or effect as follows:

> ***A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his favor at the time of executing the Release and that, if known by him or her, would have materially affected his settlement with the debtor or released party.***

This waiver specifically includes all claims under the Age Discrimination in Employment Act of 1967, as amended. The Employee acknowledges that the Employee (a) has been advised to consult an attorney in connection with entering into this Agreement; (b) has 21 days to consider this waiver and release; and (c) may revoke this waiver and release within seven days of execution upon written notice to Legal Counsel, Employment and Labor, Law Department, Unum Group, 1 Fountain Square, Chattanooga, Tennessee 37402. The waiver and release will not become enforceable until the expiration of the seven-day period. If the waiver and release is revoked during such seven-day period, the grant shall be void and of no further effect.

20. Confidentiality of Schedule A to this Agreement.

By executing this Agreement, the Employee acknowledges and agrees that the provisions of Schedule A to this Agreement shall be deemed confidential information (except with respect to information that becomes generally available to the public other than as a result of disclosure by the Employee, and then only to such extent), and that the Employee will keep confidential all such provisions and shall not disclose them, directly or indirectly, to any person other than the Employee's legal advisor as necessary in obtaining legal advice (provided that such advisor is informed of the confidential nature of such provisions and is subject to confidentiality and non-disclosure duties or obligations with respect to such provisions that are no less restrictive than those contained in this Section) or as required by law or legal process.

21. Clawback.

Notwithstanding any provisions in this Agreement to the contrary, any Shares or other amounts paid or provided to the Employee pursuant to this Agreement (including any gains realized on Shares issued pursuant to this Agreement), which Shares or amounts are subject to recovery under any law, government regulation, stock exchange listing requirement, or any policy adopted by the Company from time to time, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or policy as in effect from time to time.

22. Disclosures.

Nothing in this Agreement (including Schedule A hereto) shall be construed to restrict the Employee's ability to make a confidential disclosure of any trade secret or other confidential information, without notice to or approval by the Company, to a government official or an attorney for the sole purpose of reporting or assisting in the investigation of a suspected violation of law and the Employee shall not be held liable under this Agreement or under any federal or state trade secret law for any such disclosure.

23. Foreign Jurisdictions.

This Agreement shall be construed, interpreted and applied in such a manner as shall be necessary to comply with any legal or regulatory requirements of any non-United States jurisdiction to which the Employee is or becomes subject. The Company hereby delegates to each of the officers of the Company the authority for the interpretation of such matters, whose interpretations shall be final, binding and conclusive on the Employee and all individuals claiming any rights or benefits hereunder. The following provisions shall also apply only with respect to non-U.S. employees:

(a) The Employee shall have no rights under any employment agreement (or any alleged breach of it), whether on termination of his or her employment (whether lawfully or in breach) or otherwise, to any damages for breach of contract in respect of the loss of any benefits or any rights (including the grant or vesting of any share options or equity incentives) that he or she may have received had he or she continued to have been employed.

(b) By executing this Agreement, the Employee also agrees to, and shall be deemed to have provided to the Company, the data protection and monitoring acknowledgement set forth in Schedule 1 attached hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, as of the date first above written, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Employee has hereunto set the Employee's hand.

Date: **[Acceptance Date]**

EMPLOYEE: **[Participant Name]**

____

[Electronic Signature]

UNUM GROUP

By: ______________________________

[Authorized Signature]
[Name]
[Title]

Schedule A

Subject to the terms and conditions of the Agreement, the Employee shall earn a percentage of the Performance Share Units based on the following two steps.

First, the number of Performance Share Units will be determined based on the following chart:

	Performance Metrics*	
Percentage of Performance Share Units Earned	Average Three-Year After-Tax Adjusted Operating Earnings Per Share	Average Three-Year Adjusted Operating Return on Equity
50%	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
150%	**$[ ]**	**[ ]%**

*If Additional Adjustment Items are applied to actual performance metrics, applicable adjustments may also be made to the targets listed in this table.

Each of the performance metrics above shall be weighted equally at 50 percent. Results that are in between the numbers appearing on the chart shall be interpolated on a straight line basis and then rounded to the nearest tenth of a percentage.

Second, the final number of Performance Share Units earned will be determined by adjusting the number of Performance Share Units derived from the chart above and multiplying it by the TSR Factor as set forth in the chart below based on the TSR Percentile Ranking (as defined below):

TSR Percentile Ranking	TSR Factor
75% or above	1.2
62.5%	1.1
50%	1
42.5%	0.9
35% or below	0.8

If the TSR Percentile Ranking is in between the numbers appearing on the chart, the TSR Factor shall be calculated based on straight line interpolation, rounded to the nearest hundredth of a point, with the final number of Performance Share Units earned rounded to three decimal places.

"Additional Adjustment Items" shall mean any of the following to the extent not included or assumed in the Company's financial plans for fiscal years **[Year]** to **[Year+2]** as of the date of this Agreement: (i) adjustments resulting from accounting policy changes, legal or regulatory rule or law changes; (ii) the impact of any acquisitions, divestitures or block reinsurance transactions; (iii) adjustments to the closed block of business; (iv) the effect of any regulatory, legal or tax settlements; (v) the effect of changes to strategic asset allocation; (vi) debt issuance, repurchasing or retirement, or stock repurchase or issuance; (vii) the effect of differences between actual foreign currency exchange rates and those assumed in the financial plans; (viii) fees or assessments, including tax assessments, from legislation enacted after the date hereof; and (ix) the effect of a global pandemic or other economic and environmental pressures negatively impacting results.

"Adjusted Operating Return on Equity" shall mean, with respect to a fiscal year, the Company's After-Tax Adjusted Operating Earnings for such fiscal year divided by the average of the beginning and end of year stockholders' equity for such fiscal year, adjusted to exclude the accumulated net unrealized gain or loss on securities, the accumulated net gain or loss on cash flow hedges and any Additional Adjustment Items, expressed as a percentage.

"After-Tax Adjusted Operating Earnings Per Share" shall mean, with respect to a fiscal year, the Company's after-tax net income or loss for such fiscal year, adjusted to exclude after-tax net realized investment gains or losses and any Additional

Adjustment Items ("After-Tax Adjusted Operating Earnings"), divided by the weighted-average number of shares of common stock of the Company outstanding for such fiscal year (assuming dilution).

"Average Three-Year Adjusted Operating Return on Equity" shall mean the average of the Adjusted Operating Return on Equity for each of the Company's fiscal years ending on December 31, **[Year]**, **[Year+1]** and **[Year+2]**.

"Average Three-Year After-Tax Adjusted Operating Earnings Per Share" shall mean the average of the After-Tax Adjusted Operating Earnings Per Share for each of the Company's fiscal years ending on December 31, **[Year]**, **[Year+1]** and **[Year+2]**.

"Peer Group" shall mean the following group of peer companies: **[List of Peer Companies]**. A company shall be removed from the Peer Group if it: (i) ceases to be a domestically domiciled publicly traded company on a national stock exchange or market system, unless such cessation of such listing is due to a low stock price or low trading volume; (ii) has gone private; (iii) has reincorporated in a foreign (e.g., non-U.S.) jurisdiction, regardless of whether it is a reporting company in that or another jurisdiction; or (iv) has been acquired by another company (whether by another company in the Peer Group or otherwise, but not including internal reorganizations) or has sold all or substantially all of its assets. A company that is removed from the Peer Group before the end of the Performance Period will be excluded from the calculation of TSR Percentile Ranking.

"Total Shareholder Return" shall mean total shareholder return as applied to the Company or any company in the Peer Group, determined by comparing the average of the applicable company's closing stock prices over the 20 trading days immediately preceding the first day of the Performance Period with the average of the applicable company's closing stock prices over the last 20 trading days of the Performance Period, including dividends and distributions made or, with respect to which a record date has occurred, declared (assuming such dividends or distributions are reinvested in the common stock of the Company or any company in the Peer Group) during the Performance Period.

"TSR Percentile Ranking" shall mean the relative ranking of the Company's Total Shareholder Return as compared to the Total Shareholder Returns of the Peer Group companies, expressed as a percentile ranking.

Except as provided in Section 20 or 22, of the Agreement, the provisions of this Schedule A are strictly confidential and shall not be disclosed, directly or indirectly, to any person other than the Employee's legal advisor as necessary in obtaining legal advice (provided that such advisor is informed of the confidential nature of such information and is subject to confidentiality and non-disclosure duties or obligations with respect to such information that are no less restrictive than the provisions of Section) or as required by law or legal process.

SCHEDULE 1 (FOR NON-U.S. EMPLOYEES)

Data Protection and Monitoring Acknowledgement

To: **[Name of Employer]** (the “Company”)

I hereby acknowledge having been informed that the Company and Affiliates may hold and process information about me for legal, personnel, administrative and management purposes and, in particular, collecting and processing: (a) contact information to create and maintain my employee records, grant me access to internal systems, manage an internal employee directory, and communicate with me for business purposes or emergencies; (b) national identification information to ensure my eligibility to work; (c) information about the duration of sick leave to monitor sick leave and sick pay, to administer benefits and take decisions as to my fitness to work or the need for adjustments in the workplace; (d) performance and job-related information, qualifications, and professional memberships to administer performance reviews, benefits and other awards, staff restructuring, conflict of interest reporting, as well as assess my personal and professional development; (e) disciplinary, capability, and conduct information required to carry out disciplinary and grievance procedures, internal investigations and considering reports (which may be submitted anonymously) under any whistle-blowing procedure; (f) any information relating to criminal proceedings in which I have been involved to determine my suitability for certain jobs; and (g) financial, salary, and benefits information for the payment of wages and other benefits; (h) biometric information to monitor and record my hours of work where permitted by law; and (i) beneficiaries, dependents, and emergency contact information to administer benefits and contact the designated contacts in the case of emergency (my “Personal Data”).

I understand that, notwithstanding anything to the contrary herein, Company may process my Personal Data without my consent under certain lawful bases, including when processing is necessary for the performance of a contract to which I am a party; when processing is necessary for compliance with a legal requirement; or when processing is necessary to protect vital interests.

I agree that the Company may make my Personal Data available to Affiliates, those who provide products or services to the Company and Affiliates (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organizations, current or potential investors and potential purchasers of the Company or the business in which I work. I agree that the Company may use and make my Personal Data available to third parties to comply with obligations to third parties; establish or defend legal claims or allegations; and detect security incidents, protect against malicious deceptive, fraudulent, or illegal activity.

I understand that my Personal Data may be transferred to any Affiliate established outside the European Economic Area, and in particular to the United States. I acknowledge that these countries may not have laws in place to adequately protect my privacy, but that a Data Transfer Agreement which utilized EU Model Clauses has been implemented with such Affiliates.

I understand that all communications (whether by telephone, email or any other means) which are transmitted, undertaken or received using Company property or on Company premises will be treated by the Company as work related and are subject to occasional interception, recording and monitoring without further notice. I do not regard any such communications as private and I consent to such interception, recording and monitoring.

Interception, recording and monitoring of communications is intended to protect the Company’s business interests (for example, but without limitation, for the purposes of quality control, security of communication and IT systems, record-keeping and evidential requirements, detection and prevention of criminal activity or misconduct and to assist the Company to comply with relevant legal requirements). I acknowledge that intercepted communications may be used as evidence in any disciplinary or legal proceedings.

I understand that I have the right to withdraw my agreement to the collection and processing of Personal Data. If I would like to withdraw my agreement, I can contact the Privacy Office at privacy@unum.com or 1-877-684-1241.

I have read, understood and agreed to the above of my own free will.

Exhibit 10.2

PERFORMANCE SHARE UNIT AGREEMENT WITH EMPLOYEE
(Unum Group Stock Incentive Plan of 2017 - UK and Ireland Sub-plan)

THIS AGREEMENT (this "Agreement"), dated as of **[Grant Date]**, is entered into by and between Unum Group, a Delaware corporation (the "Company"), and **[Participant Name]** (the "Employee").

W I T N E S S E T H

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. Grant, Vesting and Forfeiture of Performance Share Units.

(a) Grant. Subject to the provisions of this Agreement and to the provisions of the UK and Ireland Sub-plan (as the same may be amended, the "Sub-plan") of the Unum Group Stock Incentive Plan of 2017 (as the same may be amended, the "Plan"), the Company hereby grants to the Employee, as of **[Grant Date]** (the "Grant Date"), **[Number Granted]** Performance Share Units (the "Performance Share Units"), each with respect to one share of common stock of the Company, par value $0.10 per Share. All capitalized terms used herein, to the extent not defined, shall have the meaning set forth in the Sub-plan and the Plan.

(b) Earning Performance Share Units/Performance Period.

(i)Earning Performance Share Units. Subject to Section 1(b)(ii) and 1(c) below, the Employee shall earn a percentage of the Performance Share Units in accordance with Schedule A on the date that the Committee certifies that the Company has achieved the performance goals set forth on Schedule A, which date shall be no later than two and a half months after the end of the performance period extending from January 1, **[Year]** to December 31, **[Year+2]**, inclusive (the "Performance Period").

(ii)Performance Period. Subject to the terms and conditions of this Agreement, the Performance Share Units earned pursuant to Section 1(b)(i) shall vest and no longer be subject to any restriction upon the expiration of the Performance Period.

(c) Termination of Employment.

(i)General. Upon the Employee's Termination of Employment for any reason (other than as specified in Section 1(c)(ii) or 1(c)(iii) below) during the Performance Period, all Performance Share Units still subject to restriction shall be forfeited.

(ii)Job Elimination or Requalification; Good Reason. In the event of the Employee's Termination of Employment during the Performance Period by the Company as a result of job elimination or requalification, the Employee shall earn a number of Performance Share Units equal to the product of (x) the number of Performance Share Units determined in accordance with Section 1(b)(i) and (y) a fraction, the numerator of which is the number of full and partial months that have lapsed from the first day of the Performance Period until the date of the Termination of Employment and the denominator of which is the total number of months in the Performance Period; *provided*, *that*, in the case of the Employee's Termination of Employment under such circumstances, the Employee does not breach the PSU Restrictions (as defined in Section 5 below) and the Employee executes and submits to the Company within 10 business days following the last day of each year following such Termination of Employment during the Restricted Period (as defined in Section 5 below) a certification in the form provided to the Employee by the Company that states that the Employee has adhered to and complied with the PSU Restrictions (the "Certification"). Such Performance Share Units shall be settled at such time as Performance Share Units would be settled in accordance with Section 2. For the avoidance of doubt, in the event that the Employee incurs a Termination of Employment during the Performance Period by the Company as a result of job elimination or requalification and the Employee fails to comply with the PSU Restrictions or fails to execute and submit the Certification, the Performance Share Units will be forfeited. The benefits and conditions (including the obligations to adhere to and comply with the PSU Restrictions and the requirement to execute and submit the Certification) described this Section 1(c)(ii) shall also apply upon a Termination of Employment by the Employee for Good Reason if the Company has entered into a separate written agreement with the Employee providing for payments upon a Termination of Employment for Good Reason not upon or following a Change in Control, in which case "Good Reason" shall have the meaning ascribed to it in such agreement; *provided*, *that*, if the Employee is eligible for Retirement at the time of the Employee's Termination of Employment by the Employee for Good Reason, the vesting of such Employee's Performance Share Units shall be governed by Section 1(c)(iii) below.

(iii)Retirement/Death/Disability. In the event of the Employee's Termination of Employment during the Performance Period due to the Employee's death, Disability or Retirement, the Employee shall earn a number of Performance Share Units equal to the number of Performance Share Units determined in accordance with Section 1(b)(i), assuming that the Employee had remained employed through the Performance Period; *provided*, *that*, in the case of the Employee's Retirement or Disability, the Employee does not breach the PSU Restrictions and the Employee (or in the case of the Employee's Disability, the Employee's legal representative on behalf of the Employee, if applicable) executes and submits to the Company within 10 business days following the last day of each year during the Restricted Period following such Termination of Employment the Certification. Such Performance Share Units shall be settled at such time as the Performance Share Units would be settled in accordance with Section 2. For the avoidance of doubt, in the event that the Employee incurs a Termination of Employment during the Performance Period due to the Employee's Retirement or Disability and the Employee fails to comply with the PSU Restrictions or fails to execute and submit the Certification, the Performance Share Units will be forfeited.

(iv)Employment. For purposes of this Agreement, employment with the Company shall include an office or employment with the Company, its Affiliates and their successors. Nothing in this Agreement, the Sub-plan or the Plan shall confer upon the Employee any right to continue in the employment of, or holding an office with, the Company or any of its Affiliates or interfere in any way with the right of the Company or any Affiliate to terminate the Employee's office or employment at any time.

2. Settlement of Units.

Subject to Section 9 (pertaining to taxes), and except as otherwise provided in Section 6, as soon as practicable after the date on which the Performance Period expires and the Committee certifies that the Company has achieved the performance goals set forth on Schedule A, and in no event later than two and a half months after the end of the Performance Period, the Company shall deliver to the Employee or his or her personal representative, in book-position or certificate form, one Share that does not bear any restrictive legend making reference to this Agreement for each Performance Share Unit earned pursuant to this Agreement.

3. Nontransferability of the Performance Share Units.

During the Performance Period and until such time as the Performance Share Units are ultimately settled as provided in Section 2 above, the Performance Share Units and Shares covered by the Performance Share Units shall not be transferable by the Employee by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise; *provided, however*, that nothing in this Section 3 shall prevent transfers by will or by the applicable laws of descent and distribution. Any purported or attempted transfer of such Performance Share Units or Shares in contravention of this Section 3 shall be null and void.

4. Rights as a Stockholder.

During the Performance Period and until such time as the Performance Share Units are ultimately settled as provided in Section 2 above, the Employee shall not be entitled to any rights of a stockholder with respect to the Performance Share Units (including, without limitation, any voting rights); *provided* that with respect to any dividends paid on Shares underlying the Performance Share Units, such dividends will be notionally accounted for and shall vest and be settled in cash at such time as, and in the same ratio and only to the extent that, the underlying Performance Share Units vest and are settled.

5. Confidentiality; Non-Competition; Non-Solicitation; Non-Disparagement.

(a) The Employee acknowledges that during the course of employment or engagement with the Company and its Affiliates the Employee has received and will continue to have access and exposure to secret and proprietary information, including but not limited to information about the Company's and its Affiliates' business, business practices and processes, customers, and prospective customers, the value of which is derived in part from the fact that the information is not generally known to the public ("Confidential Information"). The Employee acknowledges that the Company and its Affiliates have spent significant time, effort and resources protecting the Confidential Information and that the Confidential Information has contributed to customer goodwill and is of significant competitive value to the Company and its Affiliates in the businesses in which they compete, and that the use or disclosure, even if inadvertent, of the Confidential Information to or for the benefit of a competitor would cause significant damage to the legitimate business interests of the Company and its Affiliates. Accordingly, in order to protect the legitimate business and customer goodwill interests of the Company and its Affiliates, to protect the Confidential Information against inappropriate use or disclosure, and in consideration of the grant of and the opportunity to earn the Performance Share Units in accordance with the provisions of this Agreement, the Employee hereby covenants and agrees to comply with the confidentiality, non-competition, non-solicitation and non-disparagement provisions set forth in this Section

5(a) (collectively, the “PSU Restrictions”). Except to the extent expressly provided otherwise below, the Employee agrees to comply with the PSU Restrictions for the period commencing on the Grant Date and extending until the date that is 12 months following the earlier of: (i) Employee’s Termination of Employment for any reason or (ii) the last day on which the Employee carried out any duties for the Company and its Affiliates (the “Restricted Period”).

(i)The Employee will use Confidential Information gained during employment or engagement with the Company or any Affiliate for the benefit of the Company only and, without the prior written consent of the Company, shall not, at any time during the Restricted Period or thereafter, directly or indirectly, divulge, reveal or communicate any Confidential Information to any person or entity whatsoever, or use any Confidential Information for the Employee’s own benefit or for the benefit of others, other than as required by law or legal process. For purposes of the foregoing, Confidential Information shall not include information that was or is available to the Employee on a non-confidential basis from a source other than the Company or becomes generally available to the public, other than as a result of disclosure by the Employee.

(ii)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of, or be employed by, consult with, render services for, or be connected in any other manner with, any Competing Business, whether for compensation or otherwise. For the purposes of this Agreement, a “Competing Business” shall be any business in the United Kingdom which is engaged in the sale or provision of employee benefits or other products or services of the type offered by the Company or its Affiliates (including, without limitation, life, critical illness, income protection, disability, accident, dental, vision or hospital indemnity insurance), unless the Employee’s primary duties and responsibilities with respect to such business are not related to the management, operation or provision of such products or services. Notwithstanding the requirements of this paragraph, the Employee shall not be prohibited from; (A) owning less than 1% of any publicly traded corporation, whether or not such corporation is deemed to be a Competing Business; or (B) working in that part of a Competing Business which provides employee benefits or other products or services of a type with which the Employee was not involved or about which he did not receive any Confidential Information during the 12 months' prior to the commencement of the Restricted Period.

(iii)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, either for the Employee’s own benefit or purpose or for the benefit or purpose of any other person or entity, solicit, assist, or induce any Covered Employee to terminate his or her relationship with the Company or its Affiliates (regardless of who first initiates the communication), or help another person or entity evaluate any Covered Employee as an employment candidate or offer to employ, call on, or actively interfere with the Company’s or any Affiliate’s relationship with any Covered Employee, *provided* that this paragraph shall not prohibit general solicitations in the form of classified advertisements or the like in newspapers, on the internet, or in other media. For purposes of this Agreement, “Covered Employee” means an individual who is an employee, representative, or officer of the Company or any Affiliate at the time of the solicitation, assistance or inducement or as the date of the Employee's Termination of Employment and who worked closely with or was supervised by the Employee and is in possession of Confidential Information or otherwise employed in a senior, sales, management or research and development capacity.

(iv)The Employee shall not, at any time during the Restricted Period, without the prior written consent of the Company, directly or indirectly, either for the Employee’s own benefit or purpose or for the benefit or purpose of any other person or entity, use any Confidential Information to solicit or accept any business from any customers of the Company or any Affiliate, or any broker with regard to customers of the Company or any Affiliate (regardless of who first initiates the communication), whom the Employee serviced, solicited or had contact on behalf of the Company or any Affiliate during the 12 months' prior to the commencement of the Restricted Period.

(v)The Employee shall not, at any time during the Restricted Period, directly or indirectly, disparage or make any statement, oral or written, public or in private, which is reasonably foreseeable as harming the Company’s or any Affiliate’s business interests or impacts negatively on the Company’s or any Affiliate’s business reputation or reputation in the community. Nothing in this paragraph will be construed to prevent the Employee from communicating with or responding to a request for information from a federal, state, administrative agency or court.

(b) The Employee acknowledges and agrees that the provisions of Schedule A to this Agreement shall be deemed confidential information (except with respect to information that becomes generally available to the public other than as a result of disclosure by the Employee, and then only to such extent), and that the Employee will keep confidential all such provisions and shall not disclose them, directly or indirectly, to any person other than the Employee’s legal advisor as necessary in obtaining legal advice (provided that such advisor is informed of the confidential nature of such provisions and is subject to confidentiality and non-disclosure duties or obligations with respect to such provisions that are no less restrictive than those contained in this Section) or as required by law or legal process.

(c) Any termination of the Employee's employment or the termination or expiration of this Agreement shall have no effect on the continuing operation of this Section 5.

(d) The terms and provisions of this Section 5 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision of this Agreement shall thereby be affected. The parties hereto acknowledge that the potential restrictions on the Employee's future employment imposed by this Section 5 are reasonable in both duration and geographic scope and in all other respects. If for any reason any court of competent jurisdiction shall find any provisions of this Section 5 unreasonable in duration or geographic scope or otherwise, the Employee and the Company agree that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law in such jurisdiction.

(e) The Employee acknowledges and agrees that any breach or threatened breach of the PSU Restrictions will result in substantial, continuing and irreparable injury to the Company and/or its Affiliates. Therefore, in addition to any other remedy that may be available to the Company and/or its Affiliates, the Company and/or its Affiliates shall be entitled to equitable and/or injunctive relief to prevent any breach or threatened breach of such provisions, and to specific performance of each of the terms thereof in addition to any other legal or equitable remedies that the Company or any Affiliate may have. Without limiting the foregoing, if the Employee violates any PSU Restrictions, then all of the Employee's outstanding Performance Share Units hereunder shall immediately be forfeited.

6. Adjustment; Change in Control.

In the event of certain transactions during the Performance Period, the Performance Share Units shall be subject to adjustment as provided in Section 3(d) of the Plan or any applicable successor provision under the Plan.

Notwithstanding anything in Section 1 to the contrary, subject to Section 3(d) of the Plan or any applicable successor provision under the Plan, upon the occurrence of a Change in Control the Performance Share Units shall (i) be deemed earned in the number of Performance Share Units originally granted as provided in Section 1(a), without regard to performance (including additional Performance Share Units acquired upon reinvestment of dividends in accordance with Section 4), (ii) shall remain outstanding and shall vest and be subject to restriction until the end of the Performance Period in accordance with Section 1(b)(ii), and (iii) subject to this Section 6, shall be settled by the Company as provided in Section 2. For purposes of this Agreement, Performance Share Units that are deemed earned upon, and remain outstanding following a Change in Control pursuant to this Section 6, shall be referred to as "Assumed PSUs".

Notwithstanding anything in Section 1 to the contrary, (A) upon a Termination of Employment of the Employee occurring upon or during the two years immediately following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by reason of death, Disability or Retirement, by the Company without Cause, or by the Employee for Good Reason (as defined in the Plan, except that if the Employee is covered by a separate written plan or agreement providing for payments upon a Termination of Employment for Good Reason upon or within two years following a Change in Control, then as defined in such plan or agreement), then such Assumed PSUs shall become free of all restrictions and fully vested and shall be settled as soon as practicable following the date of Termination of Employment (but not later than 30 days thereafter); *provided, however*, if the Employee is a citizen of the United States or otherwise subject to US Federal Income Tax in respect of the Performance Share Units, in each case, that that any Assumed PSUs that constitute "nonqualified deferred compensation" as defined under Section 409A of the Code shall to the extent necessary to avoid the imposition of penalty taxes under Section 409A of the Code, only be so settled if the Change in Control constitutes a "change in control event" within the meaning of Section 409A of the Code and shall otherwise only be settled on the earliest date permissible under Section 409A of the Code; (B) upon a Termination of Employment of the Employee occurring more than two years following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by reason of death, Disability or Retirement, then such Assumed PSUs shall become free of all restrictions and fully vested and shall be settled in accordance with Section 2 hereof; and (C) upon a Termination of Employment of the Employee occurring more than two years following the date of a Change in Control (but prior to the settlement of the Employee's Assumed PSUs) by the Company without Cause or by the Employee for Good Reason (as defined in the Plan, except that if the Employee is covered by a separate written agreement providing for payments upon a Termination of Employment for Good Reason not following a Change in Control, then as defined in such agreement), then a portion of such Employee's Assumed PSUs, equal to the full value of the Assumed PSUs multiplied by a fraction, the numerator of which is the number of full and partial months that have lapsed from the first day of the Performance Period until the date of the Termination of Employment and the denominator of which is the total number of months in the Performance Period, shall become free of all restrictions and be vested and shall be settled in accordance with Section 2 hereof (for the avoidance of doubt, if an Employee who is eligible for Retirement incurs a Termination of Employment by the Company without Cause or by the Employee for Good Reason, the vesting of such Employee's Assumed

PSUs shall be governed by subsection (B) hereof). Nothing in this Section 6 shall preclude the Company from settling, upon a Change in Control, any Performance Share Units (to the extent effectuated in accordance with Treasury Reg. § 1.409A-3(j)(4)(ix) if the Employee is a citizen of the United States or otherwise subject to US Federal Income Tax in respect of the Performance Share Units).

7. Payment of Transfer Taxes, Fees and Other Expenses.

The Company agrees to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of shares received by an Employee in connection with the Performance Share Units, together with any and all other fees and expenses necessarily incurred by the Company in connection therewith.

8. Other Restrictions.

(a) The Performance Share Units shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the Shares subject or related thereto upon any securities exchange or under any applicable law is required, or (ii) the consent or approval of any government regulatory body is required, then in any such event, the grant of Performance Share Units shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) If the Employee is an insider as described under the Company's Insider Trading Policy (as in effect from time to time and any successor policies), the Employee shall be required to obtain pre-clearance from the General Counsel or Securities Counsel of the Company prior to purchasing or selling any of the Company's securities, including any shares issued upon vesting of the Performance Share Units, and may be prohibited from selling such securities other than during an open trading window. The Employee further acknowledges that, in its discretion, the Company may prohibit the Employee from selling such securities even during an open trading window if the Company has concerns over the potential for insider trading.

9. Taxes and Withholding.

(a) The Employee irrevocably undertakes to:

(i)pay to the Company, his employer or former employer (as appropriate) the amount of any Tax Liability; or

(ii)enter into arrangements to the satisfaction of the Company, his employer or former employer (as appropriate) for payment of any Tax Liability.

(b) The Employee irrevocably undertakes that at the request of the Company, his employer or former employer, he shall join that person in making a valid election to transfer to the Employee the whole or any part of the liability for employer national insurance contributions (or any similar liability for social security contribution in any jurisdiction) which:

(i)the Company or any employer (or former employer) of his may become liable to pay as a result of any Taxable Event; and

(ii)may be lawfully transferred from the Company or any employer (or former employer) to him.

(c) If required to do so by the Company, the Employee irrevocably undertakes, in relation to any Shares delivered to him pursuant to Section 2, to enter into a joint election under section 431(1) or section 431(2) of the Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom before the date falling 14 days after he acquires the relevant Shares. The Employee hereby appoints the Company (acting by any of its directors or officers from time to time) as his agent to execute any joint election required to be entered into under this Section in his name and on his behalf.

(d) The obligations of the Company under this Agreement shall be conditioned on compliance by the Employee with this Section 9, and the Company shall not deliver Shares in respect of the Performance Share Units unless and until the Employee has made arrangements satisfactory to the Committee to satisfy his or her obligations under this clause. Unless the Employee pays the Tax Liability to the Company, employer or former employer by cash or cheque, withholding may be effected, at the Company's option, by withholding Shares issuable in connection with the Performance Share Units (provided that the Shares may be withheld only to the extent that such withholding will not result in adverse accounting treatment for the Company). The Employee acknowledges that the Company, the employer and any former employer have the right to deduct any taxes required to be withheld by law in connection with the Performance Share Units from any amounts payable by it to the Employee (including, without limitation, future cash wages). The Employee's obligations under Section 9(a) shall not be affected by any failure of the Company or employer or former employer to withhold shares or deduct from payments of remuneration under this Section 9(d).

(e) In this Section 9 references to "employer" and "former employer" include a company of which the Employee is a director or other officer (or any company of which the Employee was formerly a director or other officer).

10. Privacy and data protection

(a) The Employee consents to the Company, Subsidiaries and Affiliates holding and processing information about the Employee for legal, personnel, administrative and management purposes and, in particular, holding and processing: (i) health records and any medical reports to monitor sick leave and sick pay, to administer benefits and take decisions as to his fitness to work or the need for adjustments in the workplace; (ii) information required to carry out performance reviews, disciplinary and grievance procedures, internal investigations and considering reports (which may be submitted anonymously) under any whistle-blowing procedure; (iii) any information relating to criminal proceedings in which he has been involved; and (iv) to comply with legal requirements and obligations to third parties ("Personal Data"). The Employee agrees that the Company may make the Personal Data available to Subsidiaries and Affiliates, those who provide products or services to the Company, Subsidiaries, and Affiliates (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations, current or potential investors and potential purchasers of the Company, Subsidiaries, Affiliates or the business in which the Employee works.

(b) The Employee consents to the transfer of Personal Data to the Company and to any Subsidiaries or Affiliates established outside the European Economic Area, and in particular to the United States. The Employee acknowledges that these countries may not have laws in place to adequately protect his privacy. The Employee confirms that he understands that all communications (whether by telephone, email or any other means) which are transmitted, undertaken or received using property of the Company or any Subsidiary or Affiliate or on the premises of the Company or any Subsidiary or Affiliate will be treated as work related and are subject to occasional interception, recording and monitoring without further notice. The Employee confirms that he does not regard any such communications as private and consents to such interception, recording and monitoring. Interception, recording and monitoring of communications is intended to protect the business interests of the Company and its Subsidiaries and Affiliates (for example, but without limitation, for the purposes of quality control, security of communication and IT systems, record-keeping and evidential requirements, detection and prevention of criminal activity or misconduct and to assist the Company and its Subsidiaries and Affiliates to comply with relevant legal requirements). The Employee acknowledges that intercepted communications may be used as evidence in any disciplinary or legal proceedings.

THE EMPLOYEE CONFIRMS THAT HE HAS READ, UNDERSTOOD AND AGREED TO THE PROVISIONS OF THIS SECTION 10 OF HIS OWN FREE WILL.

11. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, courier, or registered airmail (postage prepaid) addressed as follows:

If to the Employee:

At the most recent address on file at the Company

If to the Company:

Unum Group
1 Fountain Square
Chattanooga, Tennessee 37402
Attention: Executive Compensation, Human Resources

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Section 11. Notices and communications shall be effective when actually received by the addressee. Notwithstanding the foregoing, the Employee consents to electronic delivery of documents required to be delivered by the Company under the securities laws.

12. Effect of Agreement.

(a) This Agreement is personal to the Employee and, without the prior written consent of the Company, shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(b) A person who is not a party to this Agreement shall not have any rights under or in connection with it, except where such rights arise as a result of this Agreement for the Company or any employer or former employer of the Employee. The rights of the Employee to surrender, terminate or rescind this Agreement, or agree any variation, waiver or settlement of it, are not subject to the consent of any other person.

13. Laws Applicable to Construction; Consent to Jurisdiction.

(a) The interpretation, performance and enforcement of this Agreement (including non-contractual disputes or claims) shall be governed and construed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware. The parties agree that the courts of the State of Delaware shall have non-exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this deed or its subject matter or formation (including non-contractual disputes or claims).

(b) The Parties irrevocably consent to any process in any legal action or proceedings under this Section 13 being served on it in accordance with the provisions of this Agreement relating to service of notices. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

(c) In addition to the terms and conditions set forth in this Agreement, the Performance Share Units are subject to the terms and conditions of the Plan and the Sub-plan, which are hereby incorporated by reference.

14. Severability.

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

15. Conflicts and Interpretation.

In the event of any conflict between this Agreement, the Plan or the Sub-plan, the Sub-plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Sub-plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (a) interpret the Plan, (b) prescribe, amend and rescind rules and regulations relating to the Plan and Sub-plan, and (c) make all other determinations deemed necessary or advisable for the administration of the Plan and Sub-plan. The Employee hereby acknowledges that a copy of the Plan and the Sub-plan has been made available to him and agrees to be bound by all the terms and provisions thereof. The Employee and the Company each acknowledge that this Agreement (together with the Plan and the Sub-plan) constitutes the entire agreement and supersedes all other agreements and understandings, both written and oral, between the parties or either of them, with respect to the subject matter hereof.

16. Amendment.

The Company may modify, amend or waive the terms of the Performance Share Unit award, prospectively or retroactively, but no such modification, amendment or waiver shall materially impair the rights of the Employee without his or her consent, except as required by applicable law, stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

17. Headings.

The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

18. Counterparts.

This Agreement may be executed in counterparts, which together shall constitute one and the same original.

19. Terms of Office or Employment.

(a) The Employee acknowledges and undertakes that:

(i)subject to Sections 5, his rights and obligations as an employee or director of the Company or any of its Affiliates shall not be affected by grant of the Performance Share Unit award or the delivery of Shares pursuant to such award; and

(ii)subject to Section 4, the grant of the Performance Share Unit award or the delivery of Shares pursuant to such unit give him no right or expectation to receive further opportunities to acquire Shares, except for any rights which might be available to shareholders as such.

(b) The Employee irrevocably waives any rights that may arise to compensation or damages on account of any loss in respect of the Performance Share Unit award or the delivery of Shares pursuant to such award where such loss arises (or is claimed to arise), in whole or in part, from:

(i)termination of his office or employment with; or

(ii)notice to terminate his office or employment given by or to,

the Company, any Affiliate or former Affiliate. This waiver shall apply however termination of office or employment, or the giving of notice, is caused, and however compensation or damages may be claimed.

(c) The Employee irrevocably waives any rights to compensation or damages that may arise on account of any loss in respect of the Performance Share Unit award or the delivery of Shares pursuant to such award where such loss arises (or is claimed to arise), in whole or in part, from:

(i)any company which employs him, or in which he holds office, ceasing to be an Affiliate of the Company; or

(ii)the transfer of the business in which he is employed from the Company (or any Affiliate of it) to any person which is not the Company (or an Affiliate of it).

This waiver shall apply however the change of status of the relevant company, or the transfer of the relevant business, is caused, and however compensation or damages may be claimed.

20. Confidentiality of Schedule A to this Agreement.

By executing this Agreement, the Employee acknowledges and agrees that the provisions of Schedule A to this Agreement shall be deemed confidential information (except with respect to information that becomes generally available to the public other than as a result of disclosure by the Employee, and then only to such extent), and that the Employee will keep confidential all such provisions and shall not disclose them, directly or indirectly, to any person other than the Employee's legal advisor as necessary in obtaining legal advice (provided that such advisor is informed of the confidential nature of such provisions and is subject to confidentiality and non-disclosure duties or obligations with respect to such provisions that are no less restrictive than those contained in this Section) or as required by law or legal process.

21. Clawback.

Notwithstanding any provisions in this Agreement to the contrary, any Shares or other amounts paid or provided to the Employee pursuant to this Agreement (including any gains realized on Shares issued pursuant to this Agreement), which Shares or amounts are subject to recovery under any law, government regulation, stock exchange listing requirement, or any policy adopted by the Company from time to time, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement, or policy as in effect from time to time.

22. Disclosures.

Nothing in this Agreement (including Schedule A hereto) shall be construed to restrict the Employee's ability to make a confidential disclosure of any trade secret or other confidential information, without notice to or approval by the Company, to a government official or an attorney for the sole purpose of reporting or assisting in the investigation of a suspected violation of law and the Employee shall not be held liable under this Agreement or under any federal or state trade secret law for any such disclosure.

23. Foreign Jurisdictions.

This Agreement shall be construed, interpreted and applied in such a manner as shall be necessary to comply with any legal or regulatory requirements of any jurisdiction to which the Employee is or becomes subject. The Company hereby delegates to each of the officers of the Company the authority for the interpretation of such matters, whose interpretations shall be final, binding and conclusive on the Employee and all individuals claiming any rights or benefits hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, as of the date first above written, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Employee has hereunto set the Employee's hand.

Date: **[Acceptance Date]**

EMPLOYEE: **[Participant Name]**

____

[Electronic Signature]

UNUM GROUP

By: ______________________________

[Authorized Signature]

[Name]

[Title]

Schedule A

Subject to the terms and conditions of the Agreement, the Employee shall earn a percentage of the Performance Share Units based on the following two steps.

First, the number of Performance Share Units will be determined based on the following chart:

	Performance Metrics*	
Percentage of Performance Share Units Earned	Average Three-Year After-Tax Adjusted Operating Earnings Per Share	Average Three-Year Adjusted Operating Return on Equity
50%	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
[…]	**$[ ]**	**[ ]%**
150%	**$[ ]**	**[ ]%**

*If Additional Adjustment Items are applied to actual performance metrics, applicable adjustments may also be made to the targets listed in this table.

Each of the performance metrics above shall be weighted equally at 50 percent. Results that are in between the numbers appearing on the chart shall be interpolated on a straight line basis and then rounded to the nearest tenth of a percentage.

Second, the final number of Performance Share Units earned will be determined by adjusting the number of Performance Share Units derived from the chart above and multiplying it by the TSR Factor as set forth in the chart below based on the TSR Percentile Ranking (as defined below):

TSR Percentile Ranking	TSR Factor
75% or above	1.2
62.5%	1.1
50%	1
42.5%	0.9
35% or below	0.8

If the TSR Percentile Ranking is in between the numbers appearing on the chart, the TSR Factor shall be calculated based on straight line interpolation, rounded to the nearest hundredth of a point, with the final number of Performance Share Units earned rounded to three decimal places.

"Additional Adjustment Items" shall mean any of the following to the extent not included or assumed in the Company's financial plans for fiscal years **[Year]** to **[Year+2]** as of the date of this Agreement: (i) adjustments resulting from accounting policy changes, legal or regulatory rule or law changes; (ii) the impact of any acquisitions, divestitures or block reinsurance transactions; (iii) adjustments to the closed block of business; (iv) the effect of any regulatory, legal or tax settlements; (v) the effect of changes to strategic asset allocation; (vi) debt issuance, repurchasing or retirement, or stock repurchase or issuance; (vii) the effect of differences between actual foreign currency exchange rates and those assumed in the financial plans; (viii) fees or assessments, including tax assessments, from legislation enacted after the date hereof; and (ix) the effect of a global pandemic or other economic and environmental pressures negatively impacting results.

"Adjusted Operating Return on Equity" shall mean, with respect to a fiscal year, the Company's After-Tax Adjusted Operating Earnings for such fiscal year divided by the average of the beginning and end of year stockholders' equity for such fiscal year, adjusted to exclude the accumulated net unrealized gain or loss on securities, the accumulated net gain or loss on cash flow hedges and any Additional Adjustment Items, expressed as a percentage.

"After-Tax Adjusted Operating Earnings Per Share" shall mean, with respect to a fiscal year, the Company's after-tax net income or loss for such fiscal year, adjusted to exclude after-tax net realized investment gains or losses and any Additional

Adjustment Items ("After-Tax Adjusted Operating Earnings"), divided by the weighted-average number of shares of common stock of the Company outstanding for such fiscal year (assuming dilution).

"Average Three-Year Adjusted Operating Return on Equity" shall mean the average of the Adjusted Operating Return on Equity for each of the Company's fiscal years ending on December 31, **[Year]**, **[Year+1]** and **[Year+2]**.

"Average Three-Year After-Tax Adjusted Operating Earnings Per Share" shall mean the average of the After-Tax Adjusted Operating Earnings Per Share for each of the Company's fiscal years ending on December 31, **[Year]**, **[Year+1]** and **[Year+2]**.

"Peer Group" shall mean the following group of peer companies: **[List of Peer Companies]**. A company shall be removed from the Peer Group if it: (i) ceases to be a domestically domiciled publicly traded company on a national stock exchange or market system, unless such cessation of such listing is due to a low stock price or low trading volume; (ii) has gone private; (iii) has reincorporated in a foreign (e.g., non-U.S.) jurisdiction, regardless of whether it is a reporting company in that or another jurisdiction; or (iv) has been acquired by another company (whether by another company in the Peer Group or otherwise, but not including internal reorganizations) or has sold all or substantially all of its assets. A company that is removed from the Peer Group before the end of the Performance Period will be excluded from the calculation of TSR Percentile Ranking.

"Total Shareholder Return" shall mean total shareholder return as applied to the Company or any company in the Peer Group, determined by comparing the average of the applicable company's closing stock prices over the 20 trading days immediately preceding the first day of the Performance Period with the average of the applicable company's closing stock prices over the last 20 trading days of the Performance Period, including dividends and distributions made or, with respect to which a record date has occurred, declared (assuming such dividends or distributions are reinvested in the common stock of the Company or any company in the Peer Group) during the Performance Period.

"TSR Percentile Ranking" shall mean the relative ranking of the Company's Total Shareholder Return as compared to the Total Shareholder Returns of the Peer Group companies, expressed as a percentile ranking.

Except as provided in Section 20 or 22 of the Agreement, the provisions of this Schedule A are strictly confidential and shall not be disclosed, directly or indirectly, to any person other than the Employee's legal advisor as necessary in obtaining legal advice (provided that such advisor is informed of the confidential nature of such information and is subject to confidentiality and non-disclosure duties or obligations with respect to such information that are no less restrictive than the provisions of Section) or as required by law or legal process.

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: May 5, 2020	/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.

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: May 5, 2020	/s/ Steven A. Zabel
	Steven A. Zabel
	Executive Vice President, 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.

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 March 31, 2020 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: May 5, 2020	/s/ Richard P. McKenney
	Richard P. McKenney
	President and Chief Executive 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.

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 March 31, 2020 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: May 5, 2020	/s/ Steven A. Zabel
	Steven A. Zabel
	Executive Vice President, 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.