Unum Group
Form 10-Q
April 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ___________ to ___________
Commission file number 1-11294
Unum Group
(Exact name of registrant as specified in its charter)

Delaware	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)
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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
237,758,775 shares of the registrant's common stock were outstanding as of April 26, 2016.

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Cautionary Statement Regarding Forward-Looking Statements

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

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

- Sustained periods of low interest rates.
- Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of our claims operational processes, and changes in government programs.
- Unfavorable economic or business conditions, both domestic and foreign.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- 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.
- A cyber attack or other security breach could result in the unauthorized disclosure 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.
- Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.
- Execution risk related to our technology needs.
- Changes in our financial strength and credit ratings.
- Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.
- Actual experience that deviates from our assumptions used in pricing, underwriting, and reserving.
- Actual persistency and/or sales growth that is higher or lower than projected.
- Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, consumer confidence, and/or legislative and regulatory changes, including healthcare reform.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
-

Ineffectiveness of our derivatives hedging programs due to changes in the economic environment, counterparty risk, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation.

- Changes in accounting standards, practices, or policies.
- Fluctuation in foreign currency exchange rates.
- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.
- Terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2015.

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 (UNAUDITED)

Unum Group and Subsidiaries

	March 31	December 31
	2016	2015
	(in millions of dollars)	
		As Adjusted
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: $39,804.7; $39,658.7)	$44,699.2	$43,354.4
Mortgage Loans	1,881.3	1,883.6
Policy Loans	3,343.9	3,395.4
Other Long-term Investments	572.2	583.0
Short-term Investments	743.3	807.3
Total Investments	51,239.9	50,023.7
Other Assets		
Cash and Bank Deposits	120.7	112.9
Accounts and Premiums Receivable	1,661.0	1,598.4
Reinsurance Recoverable	4,798.5	4,725.1
Accrued Investment Income	754.5	702.8
Deferred Acquisition Costs	2,015.4	2,008.5
Goodwill	229.8	230.9
Property and Equipment	515.2	523.9
Other Assets	632.9	637.4
Total Assets	$61,967.9	$60,563.6

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED) - Continued

Unum Group and Subsidiaries

	March 31 2016	December 31 2015
	(in millions of dollars)	
		As Adjusted
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	$1,462.2	$1,484.6
Reserves for Future Policy and Contract Benefits	44,446.6	43,540.6
Unearned Premiums	433.8	384.2
Other Policyholders’ Funds	1,672.9	1,674.6
Income Tax Payable	54.1	6.0
Deferred Income Tax	233.3	91.8
Short-term Debt	351.4	352.0
Long-term Debt	2,442.5	2,449.4
Payables for Collateral on Investments	425.9	415.4
Other Liabilities	1,524.9	1,501.1
Total Liabilities	53,047.6	51,899.7
Commitments and Contingent Liabilities - Note 10		
Stockholders' Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 303,176,096 and 302,702,811 shares	30.3	30.3
Additional Paid-in Capital	2,253.6	2,247.2
Accumulated Other Comprehensive Income	200.7	16.1
Retained Earnings	8,160.6	7,995.2
Treasury Stock - at cost: 65,442,566 and 61,785,466 shares	(1,724.9)	(1,624.9)
Total Stockholders' Equity	8,920.3	8,663.9
Total Liabilities and Stockholders' Equity	$61,967.9	$60,563.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2016	2015
	(in millions of dollars, except share data)	
Revenue		
Premium Income	$2,087.5	$2,006.3
Net Investment Income	606.4	602.0
Realized Investment Gain (Loss)		
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	(21.1)	(4.5)
Net Realized Investment Gain (Loss), Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	0.6	(10.8)
Net Realized Investment Loss	(20.5)	(15.3)
Other Income	52.0	54.4
Total Revenue	2,725.4	2,647.4
Benefits and Expenses		
Benefits and Change in Reserves for Future Benefits	1,729.8	1,653.9
Commissions	259.9	256.9
Interest and Debt Expense	38.6	37.8
Deferral of Acquisition Costs	(152.5)	(145.0)
Amortization of Deferred Acquisition Costs	132.2	134.3
Compensation Expense	207.6	213.1
Other Expenses	205.6	193.4
Total Benefits and Expenses	2,421.2	2,344.4
Income Before Income Tax	304.2	303.0
Income Tax		
Current	51.0	40.6
Deferred	42.6	49.5
Total Income Tax	93.6	90.1
Net Income	$210.6	$212.9
Net Income Per Common Share		
Basic	$0.88	$0.85
Assuming Dilution	$0.88	$0.84

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2016	2015
	(in millions of dollars)	
Net Income	$210.6	$212.9
Other Comprehensive Income (Loss)		
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense of $414.3; $182.8)	800.1	350.2
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax benefit of $287.7; $120.3)	(566.0)	(226.2)
Change in Net Gain on Cash Flow Hedges (net of tax expense (benefit) of $(13.6); $9.0)	(26.2)	20.9
Change in Foreign Currency Translation Adjustment (net of tax benefit of $0.0; $0.1)	(26.4)	(54.0)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of $1.6; $1.5)	3.1	3.1
Total Other Comprehensive Income	184.6	94.0
Comprehensive Income	$395.2	$306.9

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2016	2015
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	$30.3	$30.2
Additional Paid-in Capital		
Balance at Beginning of Year	2,247.2	2,221.2
Common Stock Activity	6.4	9.5
Balance at End of Period	2,253.6	2,230.7
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	16.1	166.4
Other Comprehensive Income	184.6	94.0
Balance at End of Period	200.7	260.4
Retained Earnings		
Balance at Beginning of Year	7,995.2	7,302.3
Net Income	210.6	212.9
Dividends to Stockholders (per common share: $0.185; $0.165)	(45.2)	(42.3)
Balance at End of Period	8,160.6	7,472.9
Treasury Stock		
Balance at Beginning of Year	(1,624.9)	(1,198.2)
Purchases of Treasury Stock	(100.0)	(108.1)
Balance at End of Period	(1,724.9)	(1,306.3)
Total Stockholders' Equity at End of Period	$8,920.3	$8,687.9

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2016	2015
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$210.6	$212.9
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(27.3)	49.2
Change in Deferred Acquisition Costs	(20.3)	(10.7)
Change in Insurance Reserves and Liabilities	113.0	98.4
Change in Income Taxes	83.0	161.4
Change in Other Accrued Liabilities	(30.8)	(69.0)
Non-cash Components of Net Investment Income	(86.9)	(90.5)
Net Realized Investment Loss	20.5	15.3
Depreciation	25.4	23.5
Other, Net	6.1	9.6
Net Cash Provided by Operating Activities	293.3	400.1
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	364.8	108.5
Proceeds from Maturities of Fixed Maturity Securities	348.7	468.0
Proceeds from Sales and Maturities of Other Investments	78.5	42.5
Purchases of Fixed Maturity Securities	(882.7)	(959.5)
Purchases of Other Investments	(84.0)	(127.6)
Net Sales of Short-term Investments	70.9	259.8
Net Increase in Payables for Collateral on Investments	10.5	6.1
Net Purchases of Property and Equipment	(17.2)	(31.4)
Net Cash Used by Investing Activities	(110.5)	(233.6)
Cash Flows from Financing Activities		
Long-term Debt Repayments	(13.2)	(29.1)
Issuance of Common Stock	1.7	0.8
Repurchase of Common Stock	(108.8)	(108.1)
Dividends Paid to Stockholders	(45.2)	(42.3)
Other, Net	(9.5)	(6.2)
Net Cash Used by Financing Activities	(175.0)	(184.9)
Net Increase (Decrease) in Cash and Bank Deposits	7.8	(18.4)
Cash and Bank Deposits at Beginning of Year	112.9	102.5
Cash and Bank Deposits at End of Period	$120.7	$84.1

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Unum Group and Subsidiaries
March 31, 2016
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, 2015.

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

Note 2 - Accounting Developments

Accounting Updates Adopted in 2016:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 820 "Fair Value Measurement"	This update eliminated the requirement to categorize within the fair value hierarchy table investments whose fair value is measured at net asset value using the practical expedient. Instead, entities are required to disclose the fair value of these investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table to the amounts reported on the consolidated balance sheets. The guidance is to be applied retrospectively.	January 1, 2016	The adoption of this update had no effect on our financial position or results of operations but will modify certain of our annual reporting period disclosures for invested assets held in our employee benefit plans.
ASC 835 "Interest - Imputation of Interest"	This update simplified the presentation of deferred debt issuance costs by requiring these costs to be presented in the balance sheet as a reduction of the carrying amount of the debt liability to which the deferred costs relate, rather than classifying the deferred costs as an asset. This classification is consistent with the treatment of debt discounts. We applied the amendments in the update retrospectively, adjusting all prior periods in our consolidated financial statements and accompanying notes.	January 1, 2016	The adoption of this update resulted in the following reclassification adjustments to our consolidated balance sheets but had no effect on our financial position or results of operations.

December 31, 2015		
Historical Accounting Method	As Adjusted	Effect of Change
(in millions of dollars)		

Consolidated Balance Sheets			
Short-term Debt	$352.4	$ 352.0	$ (0.4)
Long-term Debt	2,475.1	2,449.4	(25.7)
Other Assets	663.5	637.4	(26.1)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	This update changes the disclosure requirements for certain insurance contracts. These changes include a requirement to disclose the rollforward of the liability for unpaid claims and claim adjustment expenses in both interim and annual reporting periods for long-duration and short-duration insurance contracts. Additional claims disclosures will also be required for short-duration contracts. The guidance is to be applied retrospectively.	January 1, 2016 for annual reporting period disclosures and January 1, 2017 for interim reporting period disclosures.	The disclosure requirements for annual reporting period 2016 are not applicable to our insurance contracts. We will adopt the interim reporting period disclosures effective January 1, 2017. The adoption of this update will have no effect on our financial position or results of operations.
ASC 718 "Compensation - Stock Compensation"	This update changes the accounting and disclosure requirements for certain aspects of share-based payments to employees. The update requires all income tax effects of stock-based compensation awards to be recognized in the income statement when the awards vest or are settled. The update also allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. Transition guidance for the amendments varies between the retrospective, modified retrospective, and prospective methods depending on the specific requirement of the update. Early adoption is also permitted.	January 1, 2017	We have not yet determined the expected impact on our financial position or results of operations.
ASC 606 "Revenue from Contracts with Customers"	This update supersedes virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the scope of this update are insurance contracts, although our fee-based service products are included within the scope. The core principle of this guidance is that revenue recognition should depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance is to be applied retrospectively.	January 1, 2018	The adoption of this update will not have a material effect on our financial position or results of operations.

ASC 825 "Financial Instruments - Overall"	This update changes the accounting and disclosure requirements for certain financial instruments. These changes include a requirement to measure equity investments, other than those that result in consolidation or are accounted for under the equity method, at fair value through net income unless the investment qualifies for certain practicability exceptions. In addition, the update clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale fixed maturity securities. Changes also include the modification of certain disclosures around the fair value of financial instruments, including the requirement for separate presentation of financial assets and liabilities by measurement category, as well as the elimination of certain disclosures around methods and significant assumptions used to estimate fair value. The guidance is to be applied retrospectively.	January 1, 2018	We have not yet determined the expected impact on our financial position or results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 842 "Leases"	This update changes the accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of lease payments, and a corresponding asset, adjusted for certain items, is also recorded. Expense recognition for lessees will remain similar to current accounting requirements for capital and operating leases. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period presented.	January 1, 2019	We have not yet determined the expected impact on our financial position or results of operations.

Note 3 - Fair Values of Financial Instruments

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

	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	$44,699.2	$44,699.2	$43,354.4	$43,354.4
Mortgage Loans	1,881.3	2,042.6	1,883.6	2,013.9
Policy Loans	3,343.9	3,458.0	3,395.4	3,498.0
Other Long-term Investments				
Derivatives	40.1	40.1	49.8	49.8
Equity Securities	1.5	1.5	1.4	1.4
Miscellaneous Long-term Investments	473.5	473.5	474.4	474.4
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	$607.0	$607.0	$608.8	$608.8
Supplementary Contracts without Life Contingencies	632.6	632.6	641.1	641.1
Short-term Debt	351.4	361.7	352.0	366.2
Long-term Debt	2,442.5	2,634.4	2,449.4	2,645.9
Payables for Collateral on Investments				
Federal Home Loan Bank (FHLB) Funding Agreements	350.0	350.0	350.0	350.0
Other Liabilities				
Derivatives	58.0	58.0	50.2	50.2

Embedded Derivative in Modified Coinsurance Arrangement	93.2	93.2	87.6	87.6
Unfunded Commitments to Investment Partnerships	4.8	4.8	5.0	5.0

The methods and assumptions used to estimate fair values of financial instruments are discussed as follows.

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

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. These financial instruments are assigned a Level 2 within the fair value hierarchy.

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 $3,094.5 million and $3,150.1 million as of March 31, 2016 and December 31, 2015, 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. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Fair values for private equity partnerships are primarily derived from net asset values provided by the general partner in the partnerships' financial statements. Our private equity partnerships represent funds that are primarily invested in railcar leasing, the financial services industry, mezzanine debt, and bank loans. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. As of March 31, 2016, we estimate that the underlying assets of the funds will be liquidated over the next one to eleven years. These financial instruments are assigned a Level 3 within the fair value hierarchy. Our shares of FHLB common stock are carried at cost, which approximates fair value. These financial instruments are considered restricted investments and are assigned a Level 2 within the fair value hierarchy.

Policyholders' Funds: Policyholders' funds are comprised primarily of deferred annuity products and supplementary contracts without life contingencies and represent customer deposits plus interest credited at contract rates. Carrying amounts approximate fair value. These financial instruments are assigned a Level 3 within the fair value hierarchy.

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.

Short-term Debt: Fair values for short-term debt are determined based on prices from independent pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques. These financial instruments are assigned a Level 1.

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. Debt instruments which are valued by pricing services using active trades for which there was current market activity in that specific debt instrument have fair values of $1,806.4 million and $956.4 million as of March 31, 2016 and December 31, 2015, respectively, and are assigned a Level 1 within the fair value hierarchy. Debt instruments which are valued by pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques have fair values of $828.0 million and $1,689.5 million as of March 31, 2016 and December 31, 2015, respectively, and are assigned a Level 2.

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 and are assigned a Level 2 within the fair value hierarchy.

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 approximate fair value and are assigned a Level 2 within the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, derivative financial instruments, and unrestricted equity securities at fair value in our consolidated balance sheets. 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.

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 valuation technique provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. 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 2016, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

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 presented as follows. 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 Techniques	Principally the market approach	Not applicable
Key Inputs	Prices obtained from external pricing services	
States, Municipalities, and Political Subdivisions		
Valuation Techniques	Principally the market approach	Principally the market approach
Key Inputs	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Relevant reports issued by analysts and rating agencies	Non-binding broker quotes
	Audited financial statements	Security and issuer level spreads
Foreign Governments		
Valuation Techniques	Principally the market approach	Principally the market approach
Key Inputs	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	Non-binding broker quotes
	Call provisions	Security and issuer level spreads
Public Utilities		
Valuation Techniques	Principally the market and income approaches	Principally the market and income approaches
Key Inputs	TRACE pricing	Change in benchmark reference
	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	Discount for size - illiquidity
	Benchmark yields	Non-binding broker quotes
	Transactional data for new issuances and secondary trades	Lack of marketability

	Security cash flows and structures Recent issuance / supply Security and issuer level spreads Security creditor ratings/maturity/capital structure/optionality Public covenants Comparative bond analysis Relevant reports issued by analysts and rating agencies Audited financial statements	Security and issuer level spreads Volatility of credit
Mortgage/Asset-Backed Securities		
Valuation Techniques	Principally the market and income approaches	Principally the market approach
Key Inputs	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

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

Equity Securities		
Valuation Techniques:	Principally the market approach	Principally the market and income approaches
Key Inputs:	Prices obtained from external pricing services Non-binding broker quotes	Financial statement analysis Non-binding broker quotes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

The management of our investment portfolio includes establishing pricing policy and reviewing the reasonableness of sources and inputs used in developing pricing. We review all prices obtained to ensure they are consistent with a variety of observable market inputs and to verify the validity of a security's price. 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 price changes from the prior month which fall outside a predetermined corridor. 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.
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.

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.

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 combining matrix pricing with vendor purchased software programs, including valuations based on estimates of future profitability, to estimate the fair value. Additionally, we may obtain prices from independent third-party brokers to aid in establishing valuations for certain of these securities. Key assumptions used by us to determine fair value for these securities include risk free interest rates, risk premiums, performance of underlying collateral (if any), and other factors involving significant assumptions which may or may not reflect those of an active market.

At March 31, 2016, approximately 20.9 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 highest category of the three-level fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities.

The remaining 79.1 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

- Approximately 65.3 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those 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.

- Approximately 2.8 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, if validated by observable market data, or on TRACE prices for identical or similar assets absent current market activity. 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.

- Approximately 11.0 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on 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. Level 3 is 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

Fair value measurements by input level for financial instruments carried at fair value are as follows:

	March 31, 2016			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$689.4	$ 896.9	$ —	$1,586.3
States, Municipalities, and Political Subdivisions	—	2,087.9	88.7	2,176.6
Foreign Governments	—	1,024.0	53.9	1,077.9
Public Utilities	569.1	7,403.9	270.2	8,243.2
Mortgage/Asset-Backed Securities	—	2,480.4	—	2,480.4
All Other Corporate Bonds	8,074.0	19,938.8	1,074.7	29,087.5
Redeemable Preferred Stocks	—	23.9	23.4	47.3
Total Fixed Maturity Securities	9,332.5	33,855.8	1,510.9	44,699.2
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	5.3	—	5.3
Foreign Exchange Contracts	—	34.8	—	34.8
Total Derivatives	—	40.1	—	40.1
Equity Securities	—	0.3	1.2	1.5
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$ 7.8	$ —	$7.8
Foreign Exchange Contracts	—	50.1	—	50.1
Credit Default Swaps	—	0.1	—	0.1
Embedded Derivative in Modified Coinsurance Arrangement	—	—	93.2	93.2
Total Derivatives	—	58.0	93.2	151.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$97.3	$ 1,367.9	$ —	$1,465.2
States, Municipalities, and Political Subdivisions	—	1,994.9	122.2	2,117.1
Foreign Governments	—	998.7	52.9	1,051.6
Public Utilities	59.1	7,687.2	274.1	8,020.4
Mortgage/Asset-Backed Securities	—	2,481.5	—	2,481.5
All Other Corporate Bonds	2,770.4	23,992.8	1,408.2	28,171.4
Redeemable Preferred Stocks	—	23.4	23.8	47.2
Total Fixed Maturity Securities	2,926.8	38,546.4	1,881.2	43,354.4
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	2.4	—	2.4
Foreign Exchange Contracts	—	47.4	—	47.4
Total Derivatives	—	49.8	—	49.8
Equity Securities	—	—	1.4	1.4
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$ 12.3	$ —	$12.3
Foreign Exchange Contracts	—	37.6	—	37.6
Credit Default Swaps	—	0.3	—	0.3
Embedded Derivative in Modified Coinsurance Arrangement	—	—	87.6	87.6
Total Derivatives	—	50.2	87.6	137.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

Transfers of assets between Level 1 and Level 2 are as follows:

	Three Months Ended March 31			
	2016		2015	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$423.8	$ —	$219.6	$ —
Public Utilities	511.6	43.0	606.7	48.9
All Other Corporate Bonds	5,352.0	786.4	4,463.8	1,189.4
Total Fixed Maturity Securities	$6,287.4	$ 829.4	$5,290.1	$ 1,238.3

Transfers between Level 1 and Level 2 occurred due to the change in availability of either a TRACE or broker market maker price. Depending on current market conditions, the availability of these Level 1 prices can vary from period to period. For fair value measurements of financial instruments that were transferred either into or out of Level 1 or 2, we reflect the transfers using the fair value at the beginning of the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
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, 2016							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$122.2	$ —	$ 0.6	$ —	$ —	$ —	$ (34.1)	$88.7
Foreign Governments	52.9	—	1.0	—	—	—	—	53.9
Public Utilities	274.1	—	4.2	—	—	94.5	(102.6)	270.2
All Other Corporate Bonds	1,408.2	(1.6)	15.6	—	(28.0)	282.6	(602.1)	1,074.7
Redeemable Preferred Stocks	23.8	—	(0.4)	—	—	—	—	23.4
Total Fixed Maturity Securities	1,881.2	(1.6)	21.0	—	(28.0)	377.1	(738.8)	1,510.9
Equity Securities	1.4	—	—	—	—	—	(0.2)	1.2
Embedded Derivative in Modified Coinsurance Arrangement	(87.6)	(5.6)	—	—	—	—	—	(93.2)

	Three Months Ended March 31, 2015							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$140.1	$ —	$ 4.1	$ —	$ —	$ —	$ —	$144.2
Foreign Governments	69.3	—	(0.2)	—	—	—	—	69.1
Public Utilities	315.0	—	3.1	—	(0.1)	300.8	(69.0)	549.8
All Other Corporate Bonds	1,425.3	(0.3)	12.5	—	(15.9)	498.5	(284.3)	1,635.8
Redeemable Preferred Stocks	24.9	—	—	—	—	—	—	24.9
Total Fixed Maturity Securities	1,974.6	(0.3)	19.5	—	(16.0)	799.3	(353.3)	2,423.8
Equity Securities	1.4	—	—	—	—	—	—	1.4
Embedded Derivative in Modified Coinsurance Arrangement	(49.9)	(3.9)	—	—	—	—	—	(53.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

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. Losses which are included in earnings and are attributable to the change in fair value of assets or liabilities valued using significant unobservable inputs and still held at period end were $5.6 million and $3.9 million for the three months ended March 31, 2016 and 2015, respectively. These amounts relate entirely to the change in fair value of an embedded derivative in a modified coinsurance arrangement and are reported as a component of realized investment gains and losses.

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

	March 31, 2016			
	Fair Value	Unobservable Input		Range/Weighted Average
	(in millions of dollars)			
Fixed Maturity Securities				
		Comparability Adjustment	(b)	0.50% - 0.50% / 0.50%
		Discount for Size	(c)	0.50% - 0.50% / 0.50%
All Other Corporate Bonds - Private	$111.8	Lack of Marketability	(d)	1.00% - 2.00% / 1.75%
		Volatility of Credit	(e)	0.25% - 6.10% / 0.95%
		Market Convention	(f)	Priced at Par
All Other Corporate Bonds - Public	9.5	Lack of Marketability	(d)	2.50% - 2.50% / 2.50%
Equity Securities - Private	1.1	Market Convention	(f)	Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(93.2)	Projected Liability Cash Flows	(g)	Actuarial Assumptions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2015			
	Fair Value	Unobservable Input		Range/Weighted Average
	(in millions of dollars)			
Fixed Maturity Securities				
States, Municipalities, and Political Subdivisions - Private	$73.3	Change in Benchmark Reference	(a)	0.50% - 1.00% / 0.70%
States, Municipalities, and Political Subdivisions - Public	12.0	Market Convention	(f)	Priced at Par
		Comparability Adjustment	(b)	0.50% - 0.50% / 0.50%
		Discount for Size	(c)	0.50% - 0.50% / 0.50%
All Other Corporate Bonds - Private	151.0	Lack of Marketability	(d)	1.00% - 2.00% / 1.75%
		Volatility of Credit	(e)	0.25% - 5.56% / 0.94%
		Market Convention	(f)	Priced at Par
All Other Corporate Bonds - Public	36.2	Lack of Marketability	(d)	1.00% - 1.00% / 1.00%
Equity Securities - Private	1.1	Market Convention	(f)	Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(87.6)	Projected Liability Cash Flows	(g)	Actuarial Assumptions

(a) Represents basis point adjustments for changes in benchmark spreads associated with various ratings categories
(b) Represents basis point adjustments for changes in benchmark spreads associated with various industry sectors
(c) Represents basis point adjustments based on issue/issuer size relative to the benchmark
(d) Represents basis point adjustments to apply a discount due to the illiquidity of an investment
(e) Represents basis point adjustments for credit-specific factors
(f) Represents a decision to price based on par value, cost, or owner's equity when limited data is available
(g) Represents various actuarial assumptions required to derive the liability cash flows including incidence, termination, and lapse rates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments

Fixed Maturity Securities

At March 31, 2016 and December 31, 2015, 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, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$1,338.7	$ 247.7	$ 0.1	$1,586.3
States, Municipalities, and Political Subdivisions	1,814.0	364.0	1.4	2,176.6
Foreign Governments	895.7	182.2	—	1,077.9
Public Utilities	6,974.0	1,273.0	3.8	8,243.2
Mortgage/Asset-Backed Securities	2,279.8	201.0	0.4	2,480.4
All Other Corporate Bonds	26,458.5	3,047.5	418.5	29,087.5
Redeemable Preferred Stocks	44.0	3.6	0.3	47.3
Total Fixed Maturity Securities	$39,804.7	$ 5,319.0	$ 424.5	$44,699.2

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$1,265.8	$ 207.3	$ 7.9	$1,465.2
States, Municipalities, and Political Subdivisions	1,828.3	293.4	4.6	2,117.1
Foreign Governments	897.2	154.4	—	1,051.6
Public Utilities	6,979.3	1,057.4	16.3	8,020.4
Mortgage/Asset-Backed Securities	2,318.6	167.6	4.7	2,481.5
All Other Corporate Bonds	26,325.5	2,454.1	608.2	28,171.4
Redeemable Preferred Stocks	44.0	3.8	0.6	47.2
Total Fixed Maturity Securities	$39,658.7	$ 4,338.0	$ 642.3	$43,354.4

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

	March 31, 2016			
	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	$33.0	$ 0.1	$—	$ —
States, Municipalities, and Political Subdivisions	58.2	1.1	3.3	0.3
Public Utilities	192.4	2.7	18.8	1.1
Mortgage/Asset-Backed Securities	53.7	0.3	8.9	0.1

All Other Corporate Bonds	3,469.7	289.8	761.9	128.7
Redeemable Preferred Stocks	10.7	0.3	—	—
Total Fixed Maturity Securities	$3,817.7	$ 294.3	$792.9	$ 130.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

	December 31, 2015			
	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	$213.5	$ 7.9	$—	$ —
States, Municipalities, and Political Subdivisions	112.3	4.3	3.3	0.3
Public Utilities	408.4	14.4	10.3	1.9
Mortgage/Asset-Backed Securities	504.3	4.6	9.0	0.1
All Other Corporate Bonds	6,155.0	464.2	554.7	144.0
Redeemable Preferred Stocks	10.4	0.6	—	—
Total Fixed Maturity Securities	$7,403.9	$ 496.0	$577.3	$ 146.3

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, 2016				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	$1,157.6	$ 21.0	$ 1,104.5	$ 0.4	$ 73.7
Over 1 year through 5 years	6,657.1	633.0	6,880.2	63.1	346.8
Over 5 years through 10 years	10,669.6	950.1	9,201.5	200.9	2,217.3
Over 10 years	19,040.6	3,513.9	20,484.6	159.7	1,910.2
	37,524.9	5,118.0	37,670.8	424.1	4,548.0
Mortgage/Asset-Backed Securities	2,279.8	201.0	2,417.8	0.4	62.6
Total Fixed Maturity Securities	$39,804.7	$ 5,319.0	$ 40,088.6	$ 424.5	$ 4,610.6

	December 31, 2015				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	$1,112.2	$ 20.6	$ 1,098.8	$ 0.2	$ 33.8
Over 1 year through 5 years	6,514.0	554.4	6,649.5	49.8	369.1
Over 5 years through 10 years	10,519.3	746.3	7,124.4	320.5	3,820.7
Over 10 years	19,194.6	2,849.1	18,532.3	267.1	3,244.3
	37,340.1	4,170.4	33,405.0	637.6	7,467.9
Mortgage/Asset-Backed Securities	2,318.6	167.6	1,968.2	4.7	513.3
Total Fixed Maturity Securities	$39,658.7	$ 4,338.0	$ 35,373.2	$ 642.3	$ 7,981.2

At March 31, 2016, the fair value of investment-grade fixed maturity securities was $41,305.8 million, with a gross unrealized gain of $5,220.3 million and a gross unrealized loss of $174.9 million. The gross unrealized loss on investment-grade fixed maturity securities was 41.2 percent of the total gross unrealized loss on fixed maturity securities. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

At March 31, 2016, the fair value of below-investment-grade fixed maturity securities was $3,393.4 million, with a gross unrealized gain of $98.7 million and a gross unrealized loss of $249.6 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 58.8 percent of the total gross unrealized loss on fixed maturity securities. Generally, below-investment-grade fixed maturity securities are more likely to develop credit concerns than investment-grade securities. At March 31, 2016, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of March 31, 2016, we held 145 individual investment-grade fixed maturity securities and 84 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 27 investment-grade fixed maturity securities and 34 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year.

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

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

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

We held no fixed maturity securities as of March 31, 2016 or December 31, 2015 for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income.

At March 31, 2016, we had commitments of $107.9 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

As of March 31, 2016, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was $441.6 million, comprised of $192.9 million of tax credit partnerships and $248.7 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	
	2016	2015
	(in millions of dollars)	
Income Tax Credits	$10.5	$10.5
Amortization, net of tax	(5.8)	(5.8)
Income Tax Benefit	$4.7	$4.7

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 $4.8 million of unfunded unconditional commitments at March 31, 2016. We also had commitments of $282.8 million to fund certain private equity partnerships at March 31, 2016, the amount of which may or may not be funded.

We are the sole beneficiary of a special purpose entity which is consolidated in our financial statements. This entity is a securitized asset trust containing a highly rated bond for principal protection and a private equity partnership investment which we contributed into the trust at the time it was established. There are no restrictions on the assets held in this trust, and the trust is free to dispose of the assets at any time. The fair values of the bond and partnership were $151.9 million and $1.0 million, respectively, as of March 31, 2016. The bond is reported as a component of fixed maturity securities, and the partnership is reported as a component of other long-term investments in our consolidated balance sheets. At March 31, 2016, we had no commitments to fund the underlying partnership, nor did we fund any amounts to the partnership during the three months ended March 31, 2016 and 2015.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

Mortgage loans by property type and geographic region are presented below.

	March 31, 2016		December 31, 2015	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Property Type				
Apartment	$164.1	8.7 %	$130.6	6.9 %
Industrial	570.1	30.3	574.1	30.5
Office	741.7	39.4	764.7	40.6
Retail	383.6	20.4	392.3	20.8
Other	21.8	1.2	21.9	1.2
Total	$1,881.3	100.0%	$1,883.6	100.0%
Region				
New England	$81.1	4.3 %	$97.6	5.2 %
Mid-Atlantic	127.6	6.8	128.8	6.9
East North Central	194.8	10.3	186.4	9.9
West North Central	147.0	7.8	162.6	8.6
South Atlantic	401.7	21.4	409.3	21.7
East South Central	91.3	4.9	79.1	4.2
West South Central	230.3	12.2	237.6	12.6
Mountain	194.9	10.4	196.5	10.4
Pacific	412.6	21.9	385.7	20.5
Total	$1,881.3	100.0%	$1,883.6	100.0%

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

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

	March 31 2016	December 31 2015
	(in millions of dollars)	
Internal Rating		
Aa	$1.0	$ 1.1
A	572.4	586.6
Baa	1,292.5	1,285.8
Ba	15.4	10.1
Total	$1,881.3	$ 1,883.6
Loan-to-Value Ratio		
<= 65%	$961.3	$937.2
> 65% <= 75%	820.0	842.5
> 75% <= 85%	85.3	88.4
> 85%	14.7	15.5
Total	$1,881.3	$1,883.6

There were no troubled debt restructurings during the three months ended March 31, 2016 or 2015. At March 31, 2016 and December 31, 2015, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

There have been no changes to our accounting policies or methodology from the prior period regarding estimating the allowance for credit losses on our mortgage loans. As of March 31, 2016 and December 31, 2015, we had no allowance for credit losses. Our allowance of $1.5 million as of March 31, 2015 was related to an impaired mortgage loan that was repaid in the third quarter of 2015. There was no activity in the allowance for credit losses during the three months ended March 31, 2016 or 2015.

We did not hold any impaired mortgage loans during the three months ended March 31, 2016, nor did we recognize any interest income on mortgage loans subsequent to impairment. Our average investment in impaired mortgage loans was $13.1 million for the three months ended March 31, 2015, and interest income recognized on mortgage loans subsequent to impairment was $0.2 million.

At March 31, 2016, we had commitments of $83.5 million to fund certain commercial mortgage loans, the amount of which may or may not be funded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

Transfers of Financial Assets

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

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

As of March 31, 2016, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $194.3 million, for which we received collateral in the form of cash and securities of $48.8 million and $152.2 million, respectively. As of December 31, 2015, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $181.6 million, for which we received collateral in the form of cash and securities of $29.0 million and $159.3 million, respectively. We had no outstanding repurchase agreements at March 31, 2016 or December 31, 2015.

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

	March 31, 2016		December 31, 2015	
	Overnight and Continuous			
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$	2.2	$	1.2
Public Utilities	2.8		4.0	
All Other Corporate Bonds	43.8		23.8	
Total Borrowings	48.8		29.0	
Gross Amount of Recognized Liability for Securities Lending Transactions	48.8		29.0	
	$	—	$	—

Amounts Related to
Agreements Not
Included in
Offsetting Disclosure
Contained Herein

Certain of our U.S. insurance subsidiaries are members of regional FHLBs. Membership, which requires that we purchase a minimum amount of FHLB common stock on which we receive dividends, provides access to low-cost funding. As of March 31, 2016 and December 31, 2015, we owned $30.9 million of FHLB common stock and had obtained $350.0 million in advances from the regional FHLBs for the purpose of purchasing fixed maturity securities. As of March 31, 2016, the carrying value of fixed maturity securities and commercial mortgage loans posted as collateral to the regional FHLBs was $318.6 million and $95.1 million, respectively. As of December 31, 2015, the carrying value of fixed maturity securities and commercial mortgage loans posted as collateral to the regional FHLBs was $317.2 million and $96.0 million, respectively. Additional common stock purchases may be required, based on the amount of funds we borrow from the FHLBs.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
March 31, 2016
Note 4 - Investments - Continued

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

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

	March 31, 2016					
	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	Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$40.1	$ —	$ 40.1	$(13.1)	$ (27.0)	$ —
Securities Lending	194.3	—	194.3	(145.5)	(48.8)	—
Total	$234.4	$ —	$ 234.4	$(158.6)	$ (75.8)	$ —
Financial Liabilities:						
Derivatives	$58.0	$ —	$ 58.0	$(41.2)	$ —	$ 16.8
Securities Lending	48.8	—	48.8	(48.8)	—	—
Total	$106.8	$ —	$ 106.8	$(90.0)	$ —	$ 16.8

	December 31, 2015					
	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	Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$49.8	$ —	$ 49.8	$(12.8)	$ (36.4)	$ 0.6
Securities Lending	181.6	—	181.6	(152.6)	(29.0)	—