Unum Group
Form 10-Q
August 06, 2013

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 June 30, 2013

o 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)
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

263,596,567 shares of the registrant's common stock were outstanding as of August 1, 2013.

TABLE OF CONTENTS

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:

- Unfavorable economic or business conditions, both domestic and foreign.
- Sustained periods of low interest rates.
- Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality rates, and offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of claims management operations, and changes in government programs.
- 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.
- Effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyber attacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber or other information security systems, and business continuity planning.
- 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.
- Increased competition from other insurers and financial services companies due to industry consolidation or other factors.
- 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.
- The level and results of litigation.
- Changes in accounting standards, practices, or policies.
- Fluctuation in foreign currency exchange rates.

- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
- 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, 2012.

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

	June 30 2013	December 31 2012
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: $37,934.6; $37,751.5)	$42,594.2	$44,973.0
Mortgage Loans	1,735.3	1,712.7
Policy Loans	3,113.1	3,133.8
Other Long-term Investments	583.6	625.0
Short-term Investments	867.8	1,460.3
Total Investments	48,894.0	51,904.8
Other Assets		
Cash and Bank Deposits	47.8	77.3
Accounts and Premiums Receivable	1,697.3	1,632.6
Reinsurance Recoverable	4,817.9	4,842.6
Accrued Investment Income	788.7	694.6
Deferred Acquisition Costs	1,782.6	1,755.5
Goodwill	201.0	201.7
Property and Equipment	504.7	501.6
Income Tax Receivable	8.6	—
Other Assets	623.6	625.4
Total Assets	$59,366.2	$62,236.1

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	June 30 2013	December 31 2012
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	$1,519.9	$1,484.6
Reserves for Future Policy and Contract Benefits	42,998.8	44,694.4
Unearned Premiums	517.3	426.7
Other Policyholders’ Funds	1,639.5	1,644.9
Income Tax Payable	—	54.2
Deferred Income Tax	101.4	269.4
Short-term Debt	153.6	455.8
Long-term Debt	2,644.0	2,755.4
Other Liabilities	1,411.1	1,838.1
Total Liabilities	50,985.6	53,623.5
Commitments and Contingent Liabilities - Note 10		
Stockholders' Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 360,371,253 and 359,751,943 shares	36.0	36.0
Additional Paid-in Capital	2,619.7	2,607.7
Accumulated Other Comprehensive Income	216.7	628.0
Retained Earnings	7,732.4	7,371.6
Treasury Stock - at cost: 96,806,312 and 89,546,758 shares	(2,224.2)	(2,030.7)
Total Stockholders' Equity	8,380.6	8,612.6
Total Liabilities and Stockholders' Equity	$59,366.2	$62,236.1

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars, except share data)			
Revenue				
Premium Income	$1,905.8	$1,927.6	$3,836.7	$3,849.5
Net Investment Income	626.1	633.5	1,247.2	1,253.0
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	—	(0.8)	—
Other Net Realized Investment Gain (Loss)	13.3	(2.1)	24.4	10.3
Net Realized Investment Gain (Loss)	13.3	(2.1)	23.6	10.3
Other Income	56.7	58.9	119.2	116.4
Total Revenue	2,601.9	2,617.9	5,226.7	5,229.2
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,661.8	1,683.2	3,310.3	3,346.1
Commissions	220.8	230.8	459.0	463.1
Interest and Debt Expense	37.3	35.2	74.4	70.7
Deferral of Acquisition Costs	(113.3)	(119.2)	(231.5)	(236.6)
Amortization of Deferred Acquisition Costs	101.3	99.2	225.1	198.6
Compensation Expense	194.9	195.4	392.5	402.3
Other Expenses	187.6	196.9	381.6	378.6
Total Benefits and Expenses	2,290.4	2,321.5	4,611.4	4,622.8
Income Before Income Tax	311.5	296.4	615.3	606.4
Income Tax (Benefit)				
Current	112.2	3.6	194.0	40.9
Deferred	(19.3)	76.4	(9.9)	135.2
Total Income Tax	92.9	80.0	184.1	176.1
Net Income	$218.6	$216.4	$431.2	$430.3
Net Income Per Common Share				
Basic	$0.82	$0.76	$1.61	$1.50
Assuming Dilution	$0.82	$0.76	$1.61	$1.50

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Net Income	$218.6	$216.4	$431.2	$430.3
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of $(734.6); $303.3; $(894.0); $192.8)	(1,425.1)	564.0	(1,703.6)	366.8
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of $500.4; $(227.7); $609.0; $(130.5))	928.3	(420.3)	1,125.7	(253.5)
Change in Net Gain on Cash Flow Hedges (net of tax expense of $3.5; $6.6; $3.3; $0.7)	5.9	12.6	3.9	1.9
Change in Foreign Currency Translation Adjustment	0.9	(18.6)	(69.0)	9.6
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of $118.9; $4.0; $124.4; $7.5)	221.0	7.4	231.7	13.9
Total Other Comprehensive Income (Loss)	(269.0)	145.1	(411.3)	138.7
Comprehensive Income (Loss)	$(50.4)	$361.5	$19.9	$569.0

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Six Months Ended June 30	
	2013	2012
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year	$36.0	$35.9
Common Stock Activity	—	0.1
Balance at End of Period	36.0	36.0
Additional Paid-in Capital		
Balance at Beginning of Year	2,607.7	2,591.1
Common Stock Activity	12.0	9.0
Balance at End of Period	2,619.7	2,600.1
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	628.0	461.8
Other Comprehensive Income (Loss)	(411.3)	138.7
Balance at End of Period	216.7	600.5
Retained Earnings		
Balance at Beginning of Year	7,371.6	6,611.0
Net Income	431.2	430.3
Dividends to Stockholders (per common share: $0.26; $0.21)	(70.4)	(61.6)
Balance at End of Period	7,732.4	6,979.7
Treasury Stock		
Balance at Beginning of Year	(2,030.7)	(1,530.1)
Purchases of Treasury Stock	(193.5)	(300.3)
Balance at End of Period	(2,224.2)	(1,830.4)
Total Stockholders' Equity at End of Period	$8,380.6	$8,385.9

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Six Months Ended June 30	
	2013	2012
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$431.2	$430.3
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(95.0)	70.6
Change in Deferred Acquisition Costs	(6.4)	(38.0)
Change in Insurance Reserves and Liabilities	364.5	311.7
Change in Income Taxes	(64.9)	134.7
Change in Other Accrued Liabilities	(6.0)	(65.1)
Non-cash Adjustments to Net Investment Income	(194.8)	(203.5)
Net Realized Investment Gain	(23.6)	(10.3)
Depreciation	42.7	41.2
Other, Net	0.6	7.5
Net Cash Provided by Operating Activities	448.3	679.1
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	288.8	242.2
Proceeds from Maturities of Fixed Maturity Securities	972.7	1,041.9
Proceeds from Sales and Maturities of Other Investments	112.7	76.7
Purchase of Fixed Maturity Securities	(1,584.9)	(1,640.8)
Purchase of Other Investments	(149.4)	(167.5)
Net Sales (Purchases) of Short-term Investments	589.4	(28.8)
Other, Net	(54.5)	(44.6)
Net Cash Provided (Used) by Investing Activities	174.8	(520.9)
Cash Flows from Financing Activities		
Net Short-term Debt Borrowings (Repayments)	(302.2)	154.8
Long-term Debt Repayments	(86.2)	(34.2)
Issuance of Common Stock	3.3	2.9
Repurchase of Common Stock	(197.4)	(300.3)
Dividends Paid to Stockholders	(70.4)	(61.6)
Other, Net	0.3	1.6
Net Cash Used by Financing Activities	(652.6)	(236.8)
Net Decrease in Cash and Bank Deposits	(29.5)	(78.6)
Cash and Bank Deposits at Beginning of Year	77.3	116.6
Cash and Bank Deposits at End of Period	$47.8	$38.0

See notes to consolidated financial statements.

7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Unum Group and Subsidiaries
June 30, 2013

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, 2012.

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 2013:

Accounting Standards Codification (ASC) 210 "Balance Sheet - Disclosures about Offsetting Assets and Liabilities"

In December 2011, the Financial Accounting Standards Board (FASB) issued an update requiring additional disclosures and information about financial instruments and derivative instruments that are either offset on the balance sheet or are subject to an enforceable master netting arrangement. These disclosures provide information about the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of set-off associated with certain financial instruments and derivative instruments. In January 2013, the FASB issued an update to clarify the scope of transactions that are subject to the disclosures about offsetting. Specifically, the update applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions to the extent they are subject to a master netting arrangement or similar agreement. We adopted these updates effective January 1, 2013. The adoption of these updates expanded our disclosures but had no effect on our financial position or results of operations.

ASC 220 "Comprehensive Income"

In February 2013, the FASB issued an update to improve the transparency of reporting reclassifications out of accumulated other comprehensive income by requiring additional information to be presented regarding certain reclassification adjustments. We adopted this update effective January 1, 2013. The adoption of this update expanded our disclosures but had no effect on our financial position or results of operations.

Accounting Updates Adopted in 2012:

ASC 220 "Comprehensive Income"

In June 2011, the FASB issued an update related to the financial statement presentation of comprehensive income. This update requires that non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present net income and its components, followed consecutively by a second statement presenting total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. We adopted these updates effective January 1, 2012. The adoption of these updates modified our financial statement presentation but had no effect on our financial position or results of operations.

ASC 350 "Intangibles - Goodwill and Other"

In September 2011, the FASB issued an update which gives companies the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. We adopted this update effective January 1, 2012. The adoption of this update had no effect on our financial position or results of operations.

ASC 820 "Fair Value Measurements and Disclosures"

In May 2011, the FASB issued an update to require additional disclosures regarding fair value measurements and to provide clarifying guidance on the application of existing fair value measurement requirements. Specifically, the update requires additional information on Level 1 and Level 2 transfers within the fair value hierarchy; the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed; and information about the sensitivity of a fair value measurement in Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs. We adopted this update effective January 1, 2012. The adoption of this update expanded our disclosures but had no effect on our financial position or results of operations.

ASC 860 "Transfers and Servicing"

In April 2011, the FASB issued an update to revise the criteria for assessing effective control for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The determination of whether the transfer of a financial asset subject to a repurchase agreement is a sale is based, in part, on whether the entity maintains effective control over the financial asset. This update removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial asset on substantially the agreed terms, even in the event of default by the transferee, and the related requirement to demonstrate that the transferor possess adequate collateral to fund substantially all the cost of purchasing replacement financial assets. We adopted this update effective January 1, 2012. The adoption of this update had no effect on our financial position or results of operations.

ASC 944 "Financial Services - Insurance"

In October 2010, the FASB issued an update to address the diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify as deferred acquisition costs. The amendments in the update require that only incremental direct costs associated with the successful acquisition of a new or renewal insurance contract can be capitalized. All other costs are to be expensed as incurred. We adopted this update effective January 1, 2012 and applied the amendments retrospectively, adjusting all prior periods.

Accounting Updates Outstanding:

ASC 815 "Derivatives and Hedging"

In July 2013, the FASB issued an update which allows entities to use the Fed Funds Effective Swap Rate, also referred to as the Overnight Index Swap Rate (OIS), as a benchmark interest rate for hedge accounting purposes. Previously the only acceptable benchmark rates for hedge accounting purposes under GAAP were U.S. Treasury rates and the London Interbank Offered Rate (LIBOR) swap rate. This update reflects the evolution of market hedging practices and is intended to provide more flexibility in hedging interest rate risk. We will adopt this update in the third quarter of 2013 on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after the effective date of July 17, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
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 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 following chart.

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	$42,594.2	$42,594.2	$44,973.0	$44,973.0
Mortgage Loans	1,735.3	1,906.8	1,712.7	1,937.1
Policy Loans	3,113.1	3,183.4	3,133.8	3,215.3
Other Long-term Investments				
Derivatives	36.4	36.4	81.6	81.6
Equity Securities	14.3	14.3	14.6	14.6
Miscellaneous Long-term Investments	460.1	460.1	455.1	455.1
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	$634.1	$634.1	$640.1	$640.1
Supplementary Contracts without Life Contingencies	555.9	555.9	535.5	535.5
Long-term Debt	2,644.0	2,865.4	2,755.4	2,968.8
Other Liabilities				
Derivatives	137.6	137.6	170.5	170.5
Embedded Derivative in Modified Coinsurance Arrangement	65.1	65.1	83.9	83.9
Unfunded Commitments to Investment Partnerships	56.8	56.8	83.7	83.7

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 $2,888.6 million and $2,912.7 million as of June 30, 2013 and December 31, 2012, 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 valuations provided by the general partner in the partnerships' financial statements. These financial instruments are assigned a Level 3 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

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.

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 using active trades from independent pricing services for which there was current market activity in that specific debt instrument have fair values of $648.3 million and $1,212.0 million as of June 30, 2013 and December 31, 2012, respectively, and are assigned a Level 1 within the fair value hierarchy. Debt instruments which are valued based on prices from pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques have fair values of $2,217.1 million and $1,756.8 million as of June 30, 2013 and December 31, 2012, respectively, and are assigned a Level 2.

Unfunded Commitments to Investment Partnerships: Unfunded equity commitments represent legally binding amounts that we have committed to certain investment partnerships subject to the partnerships meeting specified conditions. When these conditions are met, we are obligated to invest these amounts in the partnerships. Carrying amounts approximate fair value. These financial instruments are assigned a Level 2 within the fair value hierarchy.

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, derivative financial instruments, and 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

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 2013, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2012.

We use observable and unobservable inputs in measuring the fair value of our financial instruments. Inputs that may be used include the following:

- Broker market maker prices and price levels
- Trade Reporting and Compliance Engine (TRACE) pricing
- Prices obtained from external pricing services
- Benchmark yields (Treasury and interest rate swap curves)
- Transactional data for new issuance and secondary trades
- Security cash flows and structures
- Recent issuance/supply
- Sector and issuer level spreads
- Security credit ratings/maturity/capital structure/optionality
- Corporate actions
- Underlying collateral
- Prepayment speeds/loan performance/delinquencies/weighted average life/seasoning
- Public covenants
- Comparative bond analysis
- Derivative spreads
- Relevant reports issued by analysts and rating agencies
- Audited financial statements

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 closest to the transaction date.
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

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 June 30, 2013, approximately 14.6 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 85.4 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

- Approximately 67.0 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 4.6 percent of our fixed maturity securities were valued based on one or more non-binding broker price levels, 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 13.8 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
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

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

	June 30, 2013 Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) (in millions of dollars)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$280.0	$956.9	$—	$1,236.9
States, Municipalities, and Political Subdivisions	31.8	1,539.2	152.0	1,723.0
Foreign Governments	—	1,275.4	80.0	1,355.4
Public Utilities	894.2	9,319.8	354.2	10,568.2
Mortgage/Asset-Backed Securities	—	1,842.1	14.9	1,857.0
All Other Corporate Bonds	5,032.1	19,741.0	1,042.5	25,815.6
Redeemable Preferred Stocks	—	13.9	24.2	38.1
Total Fixed Maturity Securities	6,238.1	34,688.3	1,667.8	42,594.2
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	35.7	—	35.7
Foreign Exchange Contracts	—	0.7	—	0.7
Total Derivatives	—	36.4	—	36.4
Equity Securities	—	9.9	4.4	14.3
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$37.5	$—	$37.5
Foreign Exchange Contracts	—	99.5	—	99.5
Credit Default Swaps	—	0.6	—	0.6
Embedded Derivative in Modified Coinsurance Arrangement	—	—	65.1	65.1
Total Derivatives	—	137.6	65.1	202.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2012 Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) (in millions of dollars)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$104.1	$1,244.7	$—	$1,348.8
States, Municipalities, and Political Subdivisions	53.0	1,625.1	128.7	1,806.8
Foreign Governments	—	1,424.9	82.1	1,507.0
Public Utilities	84.2	10,485.6	574.4	11,144.2
Mortgage/Asset-Backed Securities	—	2,216.0	0.5	2,216.5
All Other Corporate Bonds	1,977.1	23,755.5	1,177.8	26,910.4
Redeemable Preferred Stocks	—	14.5	24.8	39.3
Total Fixed Maturity Securities	2,218.4	40,766.3	1,988.3	44,973.0
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	76.5	—	76.5
Foreign Exchange Contracts	—	5.1	—	5.1
Total Derivatives	—	81.6	—	81.6
Equity Securities	—	10.3	4.3	14.6
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$31.7	$—	$31.7
Foreign Exchange Contracts	—	138.8	—	138.8
Embedded Derivative in Modified Coinsurance Arrangement	—	—	83.9	83.9
Total Derivatives	—	170.5	83.9	254.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended June 30			
	2013		2012	
	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	$—	$61.4	$15.5	$—
Public Utilities	656.0	294.8	745.1	759.1
All Other Corporate Bonds	2,971.5	990.2	1,731.5	2,397.4
Total Fixed Maturity Securities	$3,627.5	$1,346.4	$2,492.1	$3,156.5
Equity Securities	$—	$—	$8.1	$—

	Six Months Ended June 30			
	2013		2012	
	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	$194.1	$—	$—	$204.2
States, Municipalities, and Political Subdivisions	—	19.4	—	43.8
Public Utilities	854.4	33.5	647.6	334.9
All Other Corporate Bonds	4,067.8	771.9	2,293.7	1,649.9
Total Fixed Maturity Securities	$5,116.3	$824.8	$2,941.3	$2,232.8

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
June 30, 2013
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 June 30, 2013							
		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	$174.8	$—	$(10.0)	$—	$(0.5)	$—	$(12.3)	$152.0
Foreign Governments	82.6	—	(2.6)	—	—	—	—	80.0
Public Utilities	402.5	—	(14.4)	8.6	—	230.3	(272.8)	354.2
Mortgage/Asset-Backed Securities	0.5	—	(1.0)	—	—	15.4	—	14.9
All Other Corporate Bonds	992.3	0.8	(44.4)	30.0	(19.5)	559.7	(476.4)	1,042.5
Redeemable Preferred Stocks	24.8	—	(0.6)	—	—	—	—	24.2
Total Fixed Maturity Securities	1,677.5	0.8	(73.0)	38.6	(20.0)	805.4	(761.5)	1,667.8
Equity Securities	4.3	—	0.1	—	—	—	—	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(77.5)	12.4	—	—	—	—	—	(65.1)

	Three Months Ended June 30, 2012							
		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	$66.4	$—	$—	$—	$—	$—	$(66.4)	$—
Public Utilities	548.3	—	(0.8)	—	(5.8)	61.1	(440.0)	162.8
Mortgage/Asset-Backed Securities	21.3	—	—	—	—	—	(20.7)	0.6
All Other Corporate Bonds	733.2	—	7.8	18.6	(5.2)	151.9	(266.7)	639.6
Redeemable Preferred Stocks	30.3	—	(1.2)	—	—	—	(6.9)	22.2
	1,399.5	—	5.8	18.6	(11.0)	213.0	(800.7)	825.2

Total Fixed Maturity Securities								
Equity Securities	4.5	—	—	—	—	—	(0.1)	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(123.4)	(3.3)	—	—	—	—	—	(126.7)

17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

	Six Months Ended June 30, 2013							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Year	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	$128.7	$—	$(8.3)	$—	$(0.5)	$32.1	$—	$152.0
Foreign Governments	82.1	—	(2.1)	—	—	—	—	80.0
Public Utilities	574.4	—	(16.9)	38.1	(2.8)	265.7	(504.3)	354.2
Mortgage/Asset-Backed Securities	0.5	—	(0.9)	15.3	—	—	—	14.9
All Other Corporate Bonds	1,177.8	1.5	(59.7)	56.9	(37.2)	599.9	(696.7)	1,042.5
Redeemable Preferred Stocks	24.8	—	(0.6)	—	—	—	—	24.2
Total Fixed Maturity Securities	1,988.3	1.5	(88.5)	110.3	(40.5)	897.7	(1,201.0)	1,667.8
Equity Securities	4.3	—	0.1	—	—	—	—	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(83.9)	18.8	—	—	—	—	—	(65.1)

	Six Months Ended June 30, 2012							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Year	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	$68.1	$—	$—	$—	$—	$—	$(68.1)	$—
Public Utilities	338.9	—	(3.6)	—	(0.7)	97.5	(269.3)	162.8
Mortgage/Asset-Backed Securities	31.7	—	—	—	—	—	(31.1)	0.6
All Other Corporate Bonds	665.5	—	7.3	18.6	(44.4)	215.1	(222.5)	639.6
Redeemable Preferred Stocks	37.2	(1.0)	0.3	—	(14.3)	—	—	22.2
Total Fixed Maturity Securities	1,141.4	(1.0)	4.0	18.6	(59.4)	312.6	(591.0)	825.2

Equity Securities	11.2	—	—	—	—	—	(6.8)	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(135.7)	9.0	—	—	—	—	—	(126.7)

18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
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. Gains and losses which are included in earnings and are attributable to the change in unrealized gains or losses relating to assets or liabilities valued using significant unobservable inputs and still held at period end were $12.4 million and $18.8 million for the three and six months ended June 30, 2013, respectively, and $(3.3) million and $9.0 million for the three and six months ended June 30, 2012, respectively. These amounts relate entirely to the changes in fair value of an embedded derivative in a modified coinsurance arrangement which are reported as realized investment gains and losses.

Quantitative information regarding the significant unobservable inputs used in Level 3 fair value measurements, all of which are internally derived, is as follows:

	June 30, 2013 Fair Value (in millions of dollars)	Unobservable Input		Range/Weighted Average
Fixed Maturity Securities				
States, Municipalities, and Political Subdivisions - Private	$117.9	- Comparability Adjustment	(b)	0.25% - 1.25% / 0.67%
Public Utilities	68.1	- Volatility of Credit	(e)	0.25% - 0.75% / 0.42%
Mortgage/Asset-Backed Securities - Private	0.5	- Discount for Size	(c)	5.24% - 5.36% / 5.32%
All Other Corporate Bonds - Private	229.6	- Change in Benchmark Reference - Comparability Adjustment - Discount for Size - Lack of Marketability - Volatility of Credit - Market Convention	(a) (b) (c) (d) (e) (f)	2.16% - 2.16% / 2.16% (0.40)% - (0.40)% / (0.40)% 0.50% - 0.50% / 0.50% 1.00% - 1.00% / 1.00% (0.72)% - 4.00% / 0.92% Priced at Par
All Other Corporate Bonds - Public	216.2	- Change in Benchmark Reference - Comparability Adjustment - Lack of Marketability - Volatility of Credit	(a) (b) (d) (e)	(1.11)% - 0.35% / (0.27)% (0.45)% - 1.00% / 0.17% 0.20% - 0.20% / 0.20% (0.46)% - (0.12)% / (0.29)%
Equity Securities - Private	4.0	- Market Convention	(f)	Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(65.1)	- Projected Liability Cash Flows	(g)	Actuarial Assumptions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2012			
	Fair Value (in millions of dollars)	Unobservable Input		Range/Weighted Average
Fixed Maturity Securities				
States, Municipalities, and Political Subdivisions - Private	$42.7	- Comparability Adjustment - Lack of Marketability - Volatility of Credit	(b) (d) (e)	0.25% - 0.25% / 0.25% 0.25% - 0.25% / 0.25% 0.15% - 0.15% / 0.15%
Public Utilities	17.4	- Comparability Adjustment	(b)	0.20% - 0.20% / 0.20%
Mortgage/Asset-Backed Securities - Private	0.5	- Discount for Size	(c)	5.74% - 5.84% / 5.81%
All Other Corporate Bonds - Private	391.8	- Change in Benchmark Reference - Comparability Adjustment - Discount for Size - Lack of Marketability - Volatility of Credit - Market Convention	(a) (b) (c) (d) (e) (f)	0.04% - 2.89% / 0.28% 1.48% - 1.48% / 1.48% 0.10% - 0.50% / 0.24% 0.10% - 1.00% / 0.46% (0.25)% -7.72% / 1.51% Priced at Par
All Other Corporate Bonds - Public	165.0	- Change in Benchmark Reference - Comparability Adjustment - Discount for Size - Lack of Marketability - Volatility of Credit - Market Convention	(a) (b) (c) (d) (e) (f)	0.25% - 0.25% / 0.25% (0.59)% - 1.00% / 0.27% 0.25% - 0.25% / 0.25% 0.20% - 0.30% / 0.24% (0.30)% - (0.30)% / (0.30)% Priced at Par
Equity Securities - Private	4.0	- Market Convention	(f)	Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(83.9)	- 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.

20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments

Fixed Maturity Securities

At June 30, 2013 and December 31, 2012, 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.

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$1,013.3	$225.8	$2.2	$1,236.9
States, Municipalities, and Political Subdivisions	1,588.1	163.5	28.6	1,723.0
Foreign Governments	1,183.6	173.9	2.1	1,355.4
Public Utilities	9,304.5	1,310.1	46.4	10,568.2
Mortgage/Asset-Backed Securities	1,639.3	220.0	2.3	1,857.0
All Other Corporate Bonds	23,172.8	2,830.5	187.7	25,815.6
Redeemable Preferred Stocks	33.0	5.1	—	38.1
Total Fixed Maturity Securities	$37,934.6	$4,928.9	$269.3	$42,594.2

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$1,020.9	$329.0	$1.1	$1,348.8
States, Municipalities, and Political Subdivisions	1,498.4	316.2	7.8	1,806.8
Foreign Governments	1,280.4	226.6	—	1,507.0
Public Utilities	9,294.3	1,865.0	15.1	11,144.2
Mortgage/Asset-Backed Securities	1,927.9	289.1	0.5	2,216.5
All Other Corporate Bonds	22,696.6	4,245.3	31.5	26,910.4
Redeemable Preferred Stocks	33.0	6.3	—	39.3
Total Fixed Maturity Securities	$37,751.5	$7,277.5	$56.0	$44,973.0

As of June 30, 2013 and December 31, 2012, we held no fixed maturity securities for which a portion of an other-than-temporary impairment had previously been recognized in other comprehensive income.

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

	June 30, 2013			
	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	$9.1	$0.3	$5.7	$1.9

States, Municipalities, and Political Subdivisions	311.9	22.4	36.3	6.2
Foreign Governments	30.3	2.1	—	—
Public Utilities	765.7	41.2	44.5	5.2
Mortgage/Asset-Backed Securities	32.9	1.8	3.8	0.5
All Other Corporate Bonds	3,308.9	169.2	240.0	18.5
Total Fixed Maturity Securities	$4,458.8	$237.0	$330.3	$32.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

	December 31, 2012			
	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	$—	$—	$6.5	$1.1
States, Municipalities, and Political Subdivisions	30.8	0.9	42.1	6.9
Public Utilities	110.3	3.9	147.6	11.2
Mortgage/Asset-Backed Securities	4.4	—	3.8	0.5
All Other Corporate Bonds	441.3	7.0	396.8	24.5
Total Fixed Maturity Securities	$586.8	$11.8	$596.8	$44.2

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.

	June 30, 2013				
	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	$1,156.4	$21.0	$1,123.1	$0.6	$53.7
Over 1 year through 5 years	6,703.5	671.2	7,123.3	3.9	247.5
Over 5 years through 10 years	9,325.0	1,036.0	8,140.6	95.4	2,125.0
Over 10 years	19,110.4	2,980.7	19,597.8	167.1	2,326.2
	36,295.3	4,708.9	35,984.8	267.0	4,752.4
Mortgage/Asset-Backed Securities	1,639.3	220.0	1,820.3	2.3	36.7
Total Fixed Maturity Securities	$37,934.6	$4,928.9	$37,805.1	$269.3	$4,789.1

	December 31, 2012				
	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	$956.4	$21.2	$934.1	$0.5	$43.0
Over 1 year through 5 years	5,922.8	628.1	6,449.8	5.0	96.1
Over 5 years through 10 years	9,752.3	1,606.4	10,997.0	7.6	354.1
Over 10 years	19,192.1	4,732.7	23,200.2	42.4	682.2
	35,823.6	6,988.4	41,581.1	55.5	1,175.4
Mortgage/Asset-Backed Securities	1,927.9	289.1	2,208.3	0.5	8.2
Total Fixed Maturity Securities	$37,751.5	$7,277.5	$43,789.4	$56.0	$1,183.6

At June 30, 2013, the fair value of investment-grade fixed maturity securities was $39,454.6 million, with a gross unrealized gain of $4,800.6 million and a gross unrealized loss of $215.8 million. The gross unrealized loss on investment-grade fixed maturity securities was 80.1 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
June 30, 2013
Note 4 - Investments - Continued

At June 30, 2013, the fair value of below-investment-grade fixed maturity securities was $3,139.6 million, with a gross unrealized gain of $128.3 million and a gross unrealized loss of $53.5 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 19.9 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 June 30, 2013, 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 June 30, 2013, we held 208 individual investment-grade fixed maturity securities and 68 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 16 investment-grade fixed maturity securities and 9 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

We evaluate available information, including the factors noted above, both positive and negative, in reaching our conclusions. In particular, we also consider the strength of the issuer's balance sheet, its debt obligations and near term funding requirements, 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. Although available and applicable factors are considered in our analysis, our expectation of recovering the entire amortized cost basis of the security, whether we intend to sell the security, whether it is more likely than not we will be required to sell the security before recovery of its amortized cost, and whether the security is current on principal and interest payments are the most critical factors in determining whether impairments are other than temporary. The significance of the decline in value and the length of time during which there has been a significant decline are also important factors, but we generally do not record an impairment loss based solely on these two factors, since often other more relevant factors will impact our evaluation of a 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

If we determine that the decline in value of an investment is other than temporary, the investment is written down to fair value, and an impairment loss is recognized in the current period, either in earnings or in both earnings and other comprehensive income, as applicable. For those fixed maturity securities with an unrealized loss for which we have not recognized an other-than-temporary impairment, we believe we will recover the entire amortized cost, we do not intend to sell the security, and we do not believe it is more likely than not we will be required to sell the security before recovery of its amortized cost. There have been no defaults in the repayment obligations of any securities for which we have not recorded an other-than-temporary impairment.

Other-than-temporary impairment losses on fixed maturity securities which we intend to sell or more likely than not will be required to sell before recovery in value are recognized in earnings and equal the entire difference between the security's amortized cost basis and its fair value. For securities which we do not intend to sell and it is not more likely than not that we will be required to sell before recovery in value, other-than-temporary impairment losses recognized in earnings generally represent the difference between the amortized cost of the security and 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. The determination of cash flows is inherently subjective, and methodologies may vary depending on the circumstances specific to the security. The timing and amount of our cash flow estimates are developed using historical and forecast financial information from the issuer, including its current and projected liquidity position. We also consider industry analyst reports and forecasts, sector credit ratings, future business prospects and earnings trends, issuer refinancing capabilities, actual and/or potential asset sales by the issuer, and other data relevant to the collectibility of the contractual cash flows of the security. We take into account the probability of default, expected recoveries, third party guarantees, quality of collateral, and where our debt security ranks in terms of subordination. We may use the estimated fair value of collateral as a proxy for the present value of cash flows if we believe the security is dependent on the liquidation of collateral for recovery of our investment. For fixed maturity securities for which we have recognized an other-than-temporary impairment loss through earnings, if through subsequent evaluation there is a significant increase in expected cash flows, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted as net investment income.

At June 30, 2013, we had non-binding commitments of $48.5 million to fund private placement fixed maturity securities.

Variable Interest Entities

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

As of June 30, 2013, the carrying amount of our variable interest entity investments that are not consolidated under the provisions of GAAP was $453.4 million, comprised of $320.1 million of tax credit partnerships and $133.3 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

Additionally, we recognize a liability for all legally binding unfunded commitments to these partnerships, with a corresponding recognition of an invested asset. Our liability for legally binding unfunded commitments to the tax credit partnerships was $56.8 million at June 30, 2013. Contractually, we are a limited partner in these investments, and our maximum exposure to loss is limited to the carrying value of our investment. We also had non-binding commitments of $133.7 million to fund certain private equity partnerships at June 30, 2013, the amount of which may or may not be funded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

We are the sole beneficiary of a special purpose entity which is consolidated under the provisions of GAAP. This entity is a securitized asset trust containing a highly rated bond for principal protection and several partnership equity investments. We contributed the bond and partnership investments into the trust at the time it was established. The trust supports our investment objectives and allows us to maintain our investment in the partnerships while at the same time protecting the principal of the investment. There are no restrictions on the assets held in this trust, and the trust is free to dispose of the assets at any time. Because the assets in the trust are not liquid investments, we periodically provide funding to the underlying partnerships in the trust upon satisfaction of contractual notice from the partnerships. The fair values of the bond and partnerships were $134.4 million and $6.7 million, respectively, as of June 30, 2013. The bonds are reported as fixed maturity securities, and the partnerships are reported as other long-term investments in our consolidated balance sheets. At June 30, 2013, we had no commitments to fund the underlying partnerships, nor did we fund any amounts to the partnerships during the three and six months ended June 30, 2013 and 2012.

Mortgage Loans

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

Mortgage loans by property type and geographic region are as follows:

	June 30, 2013			December 31, 2012		
	(in millions of dollars)					
	Carrying Amount	Percent of Total		Carrying Amount	Percent of Total	
Property Type						
Apartment	$53.1	3.1	%	$34.0	2.0	%
Industrial	510.5	29.4		513.4	30.0	
Mixed	77.3	4.4		78.4	4.6	
Office	727.1	41.9		713.4	41.6	
Retail	367.3	21.2		373.5	21.8	
Total	$1,735.3	100.0	%	$1,712.7	100.0	%
Region						
New England	$103.0	5.9	%	$114.3	6.7	%
Mid-Atlantic	156.9	9.1		160.0	9.3	
East North Central	235.3	13.6		224.7	13.1	
West North Central	154.1	8.9		160.8	9.4	
South Atlantic	435.2	25.1		440.9	25.7	
East South Central	78.6	4.5		79.6	4.7	
West South Central	175.7	10.1		159.5	9.3	
Mountain	84.0	4.8		90.5	5.3	
Pacific	312.5	18.0		282.4	16.5	
Total	$1,735.3	100.0	%	$1,712.7	100.0	%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

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.

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

	June 30 2013	December 31 2012
	(in millions of dollars)	
Internal Rating		
Aa	$11.1	$11.5
A	697.3	659.4
Baa	992.5	994.5
Ba	21.3	34.2
B	13.1	13.1
Total	$1,735.3	$1,712.7
Loan-to-Value Ratio		
<= 65%	$719.5	$624.7
> 65% <= 75%	817.7	858.8
> 75% <= 85%	127.0	142.5
> 85%	71.1	86.7
Total	$1,735.3	$1,712.7

Based on an analysis of the above risk factors, as well as other current information, if we determine that it is probable we will be unable to collect all amounts due under the contractual terms of a mortgage loan, we establish an allowance for credit loss. If we expect to foreclose on the property, the amount of the allowance typically equals the excess carrying value of the mortgage loan over the fair value of the underlying collateral. If we expect to retain the mortgage loan until payoff, the allowance equals the excess carrying value of the mortgage loan over the expected future cash flows of the loan. The projection of future cash flows and the determination of whether a borrower can make the contractual payments are inherently subjective, and methodologies may vary depending on the circumstances specific to a loan. Additions and reductions to our allowance for credit losses on mortgage loans are reported as a component of net realized investment gains and losses. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

The activity in the allowance for credit losses is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Balance at Beginning of Period	$1.5	$2.0	$1.5	$1.5
Provision	—	—	—	0.5
Charge-offs, Net of Recoveries	—	(0.5)	—	(0.5)
Balance at End of Period	$1.5	$1.5	$1.5	$1.5

Impaired mortgage loans are as follows:

	June 30, 2013		
	(in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an Allowance Recorded	$13.1	$14.6	$1.5

	December 31, 2012		
	(in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Related Allowance Recorded	$4.3	$4.3	$—
With an Allowance Recorded	13.1	14.6	1.5
Total	$17.4	$18.9	$1.5

Our average investment in impaired mortgage loans was $16.0 million and $16.7 million for the three and six months ended June 30, 2013, respectively, and $16.6 million and $20.2 million for the three and six months ended June 30, 2012, respectively. Interest income recognized on mortgage loans subsequent to impairment was $0.2 million and $0.4 million for the three and six months ended June 30, 2013, respectively, and $0.2 million and $0.4 million for the three and six months ended June 30, 2012, respectively.

Our troubled debt restructurings during the three and six months ended June 30, 2013 and 2012 were comprised entirely of loan foreclosures. A summary of our troubled debt restructurings is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Carrying Amount	$4.3	$8.9	$4.3	$13.1
Number of Loans	1	1	1	2

We had no realized losses on loan foreclosures for the three and six months ended June 30, 2013 and 2012, other than the initial impairment losses recognized prior to foreclosure.

For mortgage loans that are past due regarding principal and/or interest payments and for which collection of investment income is uncertain, we discontinue the accrual of investment income. At June 30, 2013, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments. At December 31, 2012, we held one mortgage loan that was greater than 90 days past due and for which we had discontinued the accrual of investment income. The mortgage loan had a carrying value of $4.3 million and was foreclosed during the second quarter of 2013.

At June 30, 2013, we had non-binding commitments of $119.8 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
June 30, 2013
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. Generally, cash is received as collateral under these agreements and is typically reinvested in short-term investments. In the event that securities are received as collateral, we are not permitted to sell or re-post them.

We account for all of our securities lending agreements and repurchase agreements as collateralized financings. As of June 30, 2013, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $236.5 million, for which we received collateral in the form of cash and securities of $153.6 million and $92.9 million, respectively. As of December 31, 2012, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $452.8 million, for which we received collateral in the form of cash and securities of $455.8 million and $14.5 million, respectively. We had no outstanding repurchase agreements at June 30, 2013 or December 31, 2012.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
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.

	June 30, 2013					
	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	$36.4	$—	$36.4	$(35.8)	$(0.3)	$0.3
Securities Lending	236.5	—	236.5	(82.9)	(153.6)	—
Total	$272.9	$—	$272.9	$(118.7)	$(153.9)	$0.3
Financial Liabilities:						
Derivatives	$137.6	$—	$137.6	$(104.6)	$—	$33.0
Securities Lending	153.6	—	153.6	(153.6)	—	—
Total	$291.2	$—	$291.2	$(258.2)	$—	$33.0

	December 31, 2012					
	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	$81.6	$—	$81.6	$(72.9)	$—	$8.7
Securities Lending	452.8	—	452.8	—	(452.8)	—
Total	$534.4	$—	$534.4	$(72.9)	$(452.8)	$8.7
Financial Liabilities:						
Derivatives	$170.5	$—	$170.5	$(129.8)	$(1.8)	$38.9
Securities Lending	455.8	—	455.8	(452.8)	—	3.0
Total	$626.3	$—	$626.3	$(582.6)	$(1.8)	$41.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 4 - Investments - Continued

Net Investment Income

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

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Fixed Maturity Securities	$597.2	$606.3	$1,187.1	$1,201.8
Derivative Financial Instruments	9.0	6.6	16.7	12.9
Mortgage Loans	27.1	26.0	53.1	51.0
Policy Loans	3.9	3.5	7.6	7.1
Other Long-term Investments	2.8	4.6	10.5	7.8
Short-term Investments	0.6	1.1	1.4	2.3
Gross Investment Income	640.6	648.1	1,276.4	1,282.9
Less Investment Expenses	6.8	6.8	13.9	14.0
Less Investment Income on PFA Assets	3.9	3.9	7.9	8.0
Less Amortization of Tax Credit Partnerships	3.8	3.9	7.4	7.9
Net Investment Income	$626.1	$633.5	$1,247.2	$1,253.0

Realized Investment Gain and Loss

Realized investment gains and losses reported in our consolidated statements of income are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Fixed Maturity Securities				
Gross Gains on Sales	$2.6	$3.5	$9.2	$9.4
Gross Losses on Sales	(1.6)	(1.7)	(7.1)	(6.7)
Other-Than-Temporary Impairment Loss	—	—	(0.8)	—
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	1.4	—	9.0	—
Impairment Loss	—	—	(1.0)	(0.5)
Embedded Derivative in Modified Coinsurance Arrangement	12.4	(3.3)	18.8	9.0
Other Derivatives	(0.2)	—	(0.5)	—
Foreign Currency Transactions	(1.3)	(0.6)	(4.0)	(0.9)
Net Realized Investment Gain (Loss)	$13.3	$(2.1)	$23.6	$10.3

30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
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 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. 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.

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 treasury locks are used to minimize interest rate risk associated with the anticipated purchase or disposal of fixed maturity securities. A forward treasury lock is a derivative contract without an initial investment where we and the counterparty agree to purchase or sell a specific U.S. Treasury bond at a future date at a pre-determined price.

- Options on U.S. Treasury rates are used to hedge the interest rate risk associated with the anticipated purchase of fixed maturity securities. These options give us the right, but not the obligation, to receive a specific interest rate for a specified period of time. These options enable us to lock in a minimum investment yield to hedge the potential adverse impact of declining interest rates.

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 cash flow hedges and used to reduce our exposure to foreign currency risk are as follows:

- Foreign currency interest rate swaps have historically been used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification and to hedge the currency risk associated with certain of the interest payments and debt repayments of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. For hedges of fixed maturity securities, 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. For hedges of debt issued, we agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments to the counterparty in exchange for fixed rate U.S. dollar-denominated interest payments.

- Foreign currency forward contracts are used to minimize foreign currency risks. 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 have used these forward contracts to hedge the foreign currency risk associated with certain of the debt repayments of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries and to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for diversification purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 5 - Derivative Financial Instruments - Continued

Derivatives not designated as hedging instruments and used to reduce our exposure to credit losses on securities owned are as follows:

- 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.

Derivative Risks

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest and exchange rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives should generally offset the market risk associated with the hedged financial instrument or liability. To help limit the credit exposure of the derivatives, we enter into master netting agreements with our counterparties whereby contracts in a gain position can be offset against contracts in a loss position. We also typically enter into bilateral, cross-collateralization agreements with our counterparties to help limit the credit exposure of the derivatives. These agreements require the counterparty in a loss position to submit acceptable collateral with the other counterparty in the event the net loss position meets or exceeds an agreed upon amount. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position less collateral held, was $0.3 million at June 30, 2013. We held $0.3 million cash collateral from our counterparties at June 30, 2013. We held no cash collateral at December 31, 2012. We post either fixed maturity securities or cash as collateral to our counterparties. The carrying value of fixed maturity securities posted as collateral to our counterparties was $79.8 million and $108.6 million at June 30, 2013 and December 31, 2012, respectively. We had no cash posted as collateral to our counterparties at June 30, 2013. We had $1.8 million cash posted as collateral to our counterparties at December 31, 2012.

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 $137.6 million and $170.5 million at June 30, 2013 and December 31, 2012, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 5 - Derivative Financial Instruments - Continued

Derivative Transactions

The table below summarizes, by notional amounts, the activity for each category of derivatives.

	Swaps Receive Variable/Pay Fixed (in millions of dollars)	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable	Credit Default	Forwards	Options	Total
Balance at March 31, 2012	$174.0	$550.1	$640.0	$—	$—	$—	$1,364.1
Additions	—	—	—	—	21.0	—	21.0
Terminations	—	9.6	45.0	—	21.0	—	75.6
Balance at June 30, 2012	$174.0	$540.5	$595.0	$—	$—	$—	$1,309.5
Balance at December 31, 2011	$174.0	$554.0	$685.0	$—	$—	$—	$1,413.0
Additions	—	—	—	—	56.0	—	56.0
Terminations	—	13.5	90.0	—	56.0	—	159.5
Balance at June 30, 2012	$174.0	$540.5	$595.0	$—	$—	$—	$1,309.5
Balance at March 31, 2013	$174.0	$490.8	$710.0	$70.0	$—	$—	$1,444.8
Additions	—	—	—	—	—	10.0	10.0
Terminations	—	16.1	35.0	—	—	—	51.1
Balance at June 30, 2013	$174.0	$474.7	$675.0	$70.0	$—	$10.0	$1,403.7
Balance at December 31, 2012	$174.0	$508.8	$750.0	$—	$—	$—	$1,432.8
Additions	—	—	—	70.0	24.0	10.0	104.0
Terminations	—	34.1	75.0	—	24.0	—	133.1
Balance at June 30, 2013	$174.0	$474.7	$675.0	$70.0	$—	$10.0	$1,403.7

The following table summarizes the timing of anticipated settlements of interest rate swaps outstanding under our cash flow hedging programs at June 30, 2013, whereby we receive a fixed rate and pay a variable rate. The weighted average variable interest rates assume current market conditions.

	2013 (in millions of dollars)	
Notional Value	$75.0	
Weighted Average Receive Rate	6.74	%
Weighted Average Pay Rate	0.27	%

Cash Flow Hedges

As of June 30, 2013 and December 31, 2012, we had $75.0 million and $150.0 million, respectively, notional amount of forward starting interest rate swaps to hedge the anticipated purchase of fixed maturity securities and $474.7 million and $508.8 million, respectively, notional amount of open current and forward foreign currency swaps to hedge fixed income foreign currency-denominated securities.

As of June 30, 2013, we held $10.0 million notional amount of options on U.S. Treasury rates to hedge the anticipated purchase of fixed maturity securities. We had no open option contracts as of December 31, 2012.

For the three and six months ended June 30, 2013 and 2012, there was no material ineffectiveness related to our cash flow hedges, and no component of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness.

As of June 30, 2013, we expect to amortize approximately $44.4 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. The estimated amortization includes the impact of certain derivative contracts that have not yet been terminated as of June 30, 2013. Fluctuations in fair values of these derivatives between June 30, 2013 and the date of termination will vary our projected amortization. Amounts that will 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 June 30, 2013, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2038.

Fair Value Hedges

As of June 30, 2013 and December 31, 2012, we had $174.0 million notional amount of receive variable, pay fixed interest rate swaps to hedge the changes in fair value of certain fixed rate securities held. These swaps effectively convert the associated fixed rate securities into floating rate securities, which are used to fund our floating rate long-term debt. Changes in the fair value of the derivative and changes in the fair value of the hedged item attributable to the risk being hedged are recognized in earnings as a component of net realized investment gain or loss during the period of change in fair value. The change in fair value of the hedged fixed maturity securities attributable to the hedged benchmark interest rate resulted in a loss of $4.4 million and $6.8 million for the three and six months ended June 30, 2013, respectively, with an offsetting gain on the related interest rate swaps. The change in fair value of the hedged fixed maturity securities attributable to the hedged benchmark interest rate resulted in a gain of $1.9 million and $0.2 million for the three and six months ended June 30, 2012, respectively, with an offsetting loss on the related interest rate swaps.

As of June 30, 2013 and December 31, 2012, we had $600.0 million notional amount of receive fixed, pay variable interest rate swaps to hedge the changes in the fair value of certain fixed rate long-term debt. These swaps effectively convert the associated fixed rate long-term debt into floating rate debt and provide for a better matching of interest rates with our short-term investments, which have frequent interest rate resets similar to a floating rate security. The change in fair value of the hedged debt attributable to the hedged benchmark interest rate resulted in a gain of $15.0 million and $19.1 million for the three and six months ended June 30, 2013, respectively, with an offsetting loss on the related interest rate swaps. The change in fair value of the hedged debt attributable to the hedged benchmark interest rate resulted in a loss of $4.2 million for the three and six months ended June 30, 2012, with an offsetting gain on the related interest rate swaps.

For the three and six months ended June 30, 2013 and 2012, there was no material ineffectiveness related to our fair value hedges, and no component of the derivative instruments' gain or loss 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 June 30, 2013, we held $70.0 million 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. Changes in the fair value of the derivative, together with the payment of periodic fees, are recognized in earnings as a component of net realized investment gain or loss during the period of change in fair value. We had no open credit default swaps as of December 31, 2012.

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. Changes in the fair value of the embedded derivative are recognized in earnings as a component of net realized investment gain or loss during the period of change in fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
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.

	June 30, 2013			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	$35.7	Other Liabilities	$37.5
Foreign Exchange Contracts	Other L-T Investments	0.7	Other Liabilities	99.5
Total		$36.4		$137.0
Not Designated as Hedging Instruments				
Credit Default Swaps			Other Liabilities	$0.6
Embedded Derivative in Modified Coinsurance Arrangement			Other Liabilities	65.1
Total				$65.7

	December 31, 2012			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	$76.5	Other Liabilities	$31.7
Foreign Exchange Contracts	Other L-T Investments	5.1	Other Liabilities	138.8
Total		$81.6		$170.5
Not Designated as Hedging Instruments				
Embedded Derivative in Modified Coinsurance Arrangement			Other Liabilities	$83.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 5 - Derivative Financial Instruments - Continued

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

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Gain (Loss) Recognized in Other Comprehensive Income or Loss on Derivatives				
Interest Rate Swaps and Forwards	$(4.9)	$16.6	$(7.1)	$34.9
Options	(0.1)	—	(0.1)	—
Foreign Exchange Contracts	18.6	12.7	22.7	9.8
Total	$13.6	$29.3	$15.5	$44.7
Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income				
Net Investment Income				
Interest Rate Swaps and Forwards	$11.1	$9.6	$21.1	$18.7
Foreign Exchange Contracts	(1.5)	(0.6)	(3.2)	(0.8)
Net Realized Investment Gain (Loss)				
Interest Rate Swaps	0.8	2.0	0.8	2.1
Foreign Exchange Contracts	(5.7)	10.5	(12.4)	(1.9)
Interest and Debt Expense				
Interest Rate Swaps	(0.4)	(0.4)	(0.8)	(0.8)
Total	$4.3	$21.1	$5.5	$17.3

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 June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Net Realized Investment Gain (Loss)				
Credit Default Swaps	$(0.2)	$—	$(0.5)	$—
Embedded Derivative in Modified Coinsurance Arrangement	12.4	(3.3)	18.8	9.0
Total	$12.2	$(3.3)	$18.3	$9.0

36

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 6 - Accumulated Other Comprehensive Income

After-tax accumulated other comprehensive income (loss) balances and related changes are as follows:

	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
	(in millions of dollars)				
Balance at March 31, 2013	$792.4	$399.6	$(142.5)	$(563.8)	$485.7
Other Comprehensive Income (Loss) Before Reclassifications	(493.1)	8.7	0.9	213.1	(270.4)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(3.7)	(2.8)	—	7.9	1.4
Net Other Comprehensive Income (Loss)	(496.8)	5.9	0.9	221.0	(269.0)
Balance at June 30, 2013	$295.6	$405.5	$(141.6)	$(342.8)	$216.7
Balance at December 31, 2012	$873.5	$401.6	$(72.6)	$(574.5)	$628.0
Other Comprehensive Income (Loss) Before Reclassifications	(566.4)	7.5	(69.0)	214.8	(413.1)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(11.5)	(3.6)	—	16.9	1.8
Net Other Comprehensive Income (Loss)	(577.9)	3.9	(69.0)	231.7	(411.3)
Balance at June 30, 2013	$295.6	$405.5	$(141.6)	$(342.8)	$216.7

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

	June 30 2013	March 31 2013	December 31 2012	Change at June 30, 2013 Three Months Ended	Six Months Ended
	(in millions of dollars)				
Fixed Maturity Securities	$4,659.6	$6,803.9	$7,221.5	$(2,144.3)	$(2,561.9)
Other Investments	57.1	72.5	92.8	(15.4)	(35.7)
Deferred Acquisition Costs	(43.8)	(61.2)	(67.0)	17.4	23.2
Reserves for Future Policy and Contract Benefits	(4,498.1)	(5,979.7)	(6,277.5)	1,481.6	1,779.4
Reinsurance Recoverable	283.6	353.9	351.5	(70.3)	(67.9)
Deferred Income Tax	(162.8)	(397.0)	(447.8)	234.2	285.0
Total	$295.6	$792.4	$873.5	$(496.8)	$(577.9)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 6 - Accumulated Other Comprehensive Income - Continued

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

	June 30, 2013	
	Three Months Ended	Six Months Ended
	(in millions of dollars)	
Net Unrealized Gain on Securities		
Net Realized Investment Gain (Loss)		
Gain on Sales of Securities and Other Invested Assets	$5.7	$18.4
Other-Than-Temporary Impairment Loss	—	(0.8)
	5.7	17.6
Income Tax	2.0	6.1
Total	$3.7	$11.5
Net Gain on Cash Flow Hedges		
Net Investment Income		
Gain on Interest Rate Swaps and Forwards	$11.1	$21.1
Loss on Foreign Exchange Contracts	(1.5)	(3.2)
Net Realized Investment Gain (Loss)		
Gain on Interest Rate Swaps	0.8	0.8
Loss on Foreign Exchange Contracts	(5.7)	(12.4)
Interest and Debt Expense		
Loss on Interest Rate Swaps	(0.4)	(0.8)
	4.3	5.5
Income Tax	1.5	1.9
Total	$2.8	$3.6
Unrecognized Pension and Postretirement Benefit Costs		
Other Expenses		
Amortization of Net Actuarial Loss	$(12.9)	$(27.8)
Amortization of Prior Service Credit	1.3	2.5
Curtailment Loss	(0.7)	(0.7)
	(12.3)	(26.0)
Income Tax Benefit	(4.4)	(9.1)
Total	$(7.9)	$(16.9)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 7 - Segment Information

Our reporting segments are comprised of Unum US, Unum UK, Colonial Life, Closed Block, and Corporate.

Premium income by major line of business within each of our segments is presented as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Unum US				
Group Disability				
Group Long-term Disability	$394.8	$397.8	$787.5	$793.3
Group Short-term Disability	129.1	118.2	260.1	235.9
Group Life and Accidental Death & Dismemberment				
Group Life	303.6	294.2	605.8	587.8
Accidental Death & Dismemberment	30.2	28.7	61.1	57.0
Supplemental and Voluntary				
Individual Disability - Recently Issued	114.3	118.7	234.4	237.1
Voluntary Benefits	159.5	157.4	322.3	315.9
	1,131.5	1,115.0	2,271.2	2,227.0
Unum UK				
Group Long-term Disability	96.3	101.7	194.2	203.6
Group Life	26.5	55.5	57.5	108.2
Supplemental and Voluntary	14.8	16.0	29.7	32.1
	137.6	173.2	281.4	343.9
Colonial Life				
Accident, Sickness, and Disability	184.7	179.8	369.5	360.0
Life	55.3	52.4	110.1	104.1
Cancer and Critical Illness	67.9	64.7	135.4	129.1
	307.9	296.9	615.0	593.2
Closed Block				
Individual Disability	170.6	184.6	352.4	371.8
Long-term Care	157.8	156.9	316.6	312.1
All Other	0.4	1.0	0.1	1.5
	328.8	342.5	669.1	685.4
Total	$1,905.8	$1,927.6	$3,836.7	$3,849.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 7 - Segment Information - Continued

Selected operating statement data by segment is presented as follows:

	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Three Months Ended June 30, 2013						
Premium Income	$1,131.5	$137.6	$307.9	$328.8	$—	$1,905.8
Net Investment Income	231.1	45.4	34.3	316.1	(0.8)	626.1
Other Income	32.1	(0.1)	0.1	23.8	0.8	56.7
Operating Revenue	$1,394.7	$182.9	$342.3	$668.7	$—	$2,588.6
Operating Income (Loss)	$214.0	$33.5	$71.1	$29.6	$(37.1)	$311.1
Three Months Ended June 30, 2012						
Premium Income	$1,115.0	$173.2	$296.9	$342.5	$—	$1,927.6
Net Investment Income	236.9	49.2	34.0	304.5	8.9	633.5
Other Income	30.7	—	0.1	26.6	1.5	58.9
Operating Revenue	$1,382.6	$222.4	$331.0	$673.6	$10.4	$2,620.0
Operating Income (Loss)	$212.7	$30.0	$67.6	$25.7	$(25.9)	$310.1

	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Six Months Ended June 30, 2013						
Premium Income	$2,271.2	$281.4	$615.0	$669.1	$—	$3,836.7
Net Investment Income	466.8	76.2	74.0	629.2	1.0	1,247.2
Other Income	68.8	—	0.1	47.9	2.4	119.2
Operating Revenue	$2,806.8	$357.6	$689.1	$1,346.2	$3.4	$5,203.1
Operating Income (Loss)	$422.1	$64.8	$146.5	$56.9	$(70.8)	$619.5
Six Months Ended June 30, 2012						
Premium Income	$2,227.0	$343.9	$593.2	$685.4	$—	$3,849.5
Net Investment Income	475.5	85.7	69.6	606.1	16.1	1,253.0
Other Income	61.8	0.1	0.2	52.5	1.8	116.4
Operating Revenue	$2,764.3	$429.7	$663.0	$1,344.0	$17.9	$5,218.9
Operating Income (Loss)	$418.6	$68.8	$137.3	$41.1	$(46.5)	$619.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 7 - Segment Information - Continued

A reconciliation of total operating revenue and operating income by segment to revenue and net income as reported in our consolidated statements of income is presented as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
	(in millions of dollars)			
Operating Revenue by Segment	$2,588.6	$2,620.0	$5,203.1	$5,218.9
Net Realized Investment Gain (Loss)	13.3	(2.1)	23.6	10.3
Total Revenue	$2,601.9	$2,617.9	$5,226.7	$5,229.2
Operating Income by Segment	$311.1	$310.1	$619.5	$619.3
Net Realized Investment Gain (Loss)	13.3	(2.1)	23.6	10.3
Non-operating Retirement-related Loss	(12.9)	(11.6)	(27.8)	(23.2)
Income Tax	(92.9)	(80.0)	(184.1)	(176.1)
Net Income	$218.6	$216.4	$431.2	$430.3

Assets by segment are as follows:

	June 30	December 31
	2013	2012
	(in millions of dollars)	
Unum US	$18,529.5	$19,391.2
Unum UK	3,531.1	3,975.8
Colonial Life	3,382.6	3,434.9
Closed Block	31,689.7	33,069.2
Corporate	2,233.3	2,365.0
Total	$59,366.2	$62,236.1

Note 8 - Retirement Benefits

We sponsor several defined benefit pension and other postretirement benefit (OPEB) plans for our employees, including non-qualified pension plans. The U.S. 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.K. defined benefit pension plan was closed to new entrants on December 31, 2002.

In June 2013, we announced plan amendments which freeze participation and benefit accruals in our U.S. qualified and non-qualified defined benefit pension plans, effective December 31, 2013. Because the amendments eliminate all future service accruals subsequent to December 31, 2013 for active employees in these plans, we were required to remeasure the benefit obligations of our U.S. plans during the second quarter of 2013. The remeasurement resulted in a decrease in our net pension liability of $327.4 million during the second quarter of 2013, with a corresponding increase in other comprehensive income, less applicable income tax of $114.6 million. The decrease in the net pension liability resulted primarily from the curtailment of benefits under the plan amendments as well as an increase in the discount rate assumption used to remeasure the benefit obligations. The discount rate assumption increased from 4.50 percent at December 31, 2012 to 5.00 percent at the remeasurement date, reflecting the change in market interest rates during that period. The expected long-term rate of return on plan assets of 7.50 percent remained unchanged from December 31, 2012. As a result of these plan amendments, during the second quarter of 2013 we recognized a $0.7 million curtailment loss, with a corresponding reduction in the prior service cost included in accumulated other comprehensive income and associated with years of service no longer expected to be rendered. In addition, because all participants in the U.S. plans are considered inactive as a result of these amendments, we are required to amortize the net actuarial loss for these plans over the average remaining life expectancy of the plan participants, which is approximately 30 years. The net actuarial loss was previously amortized over the average future working life of pension plan participants, or approximately 11 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
June 30, 2013
Note 8 - Retirement Benefits - Continued

In June 2013, we also communicated plans to amend the defined benefit pension plan for employees in our U.K. operation to freeze participation and benefit accruals effective December 31, 2013. Consistent with U.K. regulatory requirements, this communication initiated a formal 60 day consultation process with U.K. plan participants. If approved, we will remeasure the benefit obligation for our U.K. operation's plan and will record the effect of the remeasurement in the third quarter of 2013.

The unrecognized net actuarial loss and prior service cost included in accumulated other comprehensive income and expected to be amortized and included in net periodic pension cost during 2013 is approximately $33.3 million before tax and $21.9 million after tax. These amounts may change if the benefit obligation for our U.K. operation's plan is remeasured during the third quarter of 2013.

Concurrent with our announcements concerning our defined benefit pension plan amendments, we announced an amendment to increase the benefits under our 401(k) plan effective January 1, 2014. Currently, we match dollar-for-dollar up to 3 percent of base salary and $0.50 on the dollar for each of the next 2 percent of base salary for employee contributions into the 401(k) Plan. Effective January 1, 2014, we will increase benefits under the 401(k) plan to match dollar-for dollar up to 5 percent of base salary and will include performance-based incentive compensation as part of the definition of earnings for purposes of contributions. Also effective January 1, 2014, we will establish a new component of the 401(k) plan wherein we will make an additional non-elective contribution of 4.5 percent of earnings for all eligible employees. In addition, a separate transition contribution will be made for eligible employees who meet certain age and years of service criteria. The 401(k) plan will continue to qualify for a “safe harbor” from annual discrimination testing. These changes are in compliance with Employee Retirement Income Security Act (ERISA) guidelines.

The components of net periodic benefit cost related to the Company sponsored defined benefit pension and OPEB plans for our employees are as follows:

	Three Months Ended June 30					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		OPEB	
	2013	2012	2013	2012	2013	2012
	(in millions of dollars)					
Service Cost	$14.9	$12.2	$1.1	$1.2	$0.2	$0.4
Interest Cost	21.8	21.1	2.1	2.1	2.0	2.4
Expected Return on Plan Assets	(25.8)	(22.1)	(3.0)	(2.8)	(0.1)	(0.1)
Amortization of:						
Net Actuarial Loss	12.5	11.4	0.4	0.2	—	—
Prior Service Credit	—	(0.2)	—	—	(1.3)	(0.7)
Curtailment Loss	0.7	—	—	—	—	