

Unum Group
Form 10-Q
May 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2014

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

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 ☒ 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 ☒ 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 ☒ 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 ☒

257,410,153 shares of the registrant's common stock were outstanding as of May 6, 2014.

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Cautionary Statement Regarding Forward-Looking Statements

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

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

- 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 our claims operational processes, 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.
- The failure of cyber or other information security systems, as well as the occurrence of events unanticipated in our disaster recovery systems.
- 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, new entrants to our markets, 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.
- Contingencies and the level and results of litigation.
- Changes in accounting standards, practices, or policies.
- Fluctuation in foreign currency exchange rates.

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- 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.
- Terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2013.

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	March 31 2014	December 31 2013
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: \$38,516.0; \$38,289.6)	\$43,666.8	\$42,344.4
Mortgage Loans	1,843.3	1,815.1
Policy Loans	3,268.3	3,276.0
Other Long-term Investments	565.0	566.0
Short-term Investments	1,189.5	913.4
Total Investments	50,532.9	48,914.9
Other Assets		
Cash and Bank Deposits	76.2	94.1
Accounts and Premiums Receivable	1,664.4	1,647.8
Reinsurance Recoverable	4,837.6	4,806.5
Accrued Investment Income	756.3	700.2
Deferred Acquisition Costs	1,832.3	1,829.2
Goodwill	201.0	200.9
Property and Equipment	519.4	511.9
Income Tax Receivable	—	50.3
Other Assets	658.5	647.8
Total Assets	\$61,078.6	\$59,403.6

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	March 31 2014	December 31 2013
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	\$1,569.2	\$1,511.0
Reserves for Future Policy and Contract Benefits	43,932.5	43,099.1
Unearned Premiums	472.2	413.8
Other Policyholders' Funds	1,672.2	1,658.4
Income Tax Payable	17.3	—
Deferred Income Tax	312.6	144.3
Short-term Debt	61.6	76.5
Long-term Debt	2,948.2	2,612.0
Other Liabilities	1,137.1	1,229.4
Total Liabilities	52,122.9	50,744.5
Commitments and Contingent Liabilities - Note 10		
Stockholders' Equity		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 361,265,467 and 360,802,426 shares	36.1	36.1
Additional Paid-in Capital	2,640.8	2,634.1
Accumulated Other Comprehensive Income	454.4	255.0
Retained Earnings	8,273.8	8,083.2
Treasury Stock - at cost: 103,703,671 and 100,785,012 shares	(2,449.4)	(2,349.3)
Total Stockholders' Equity	8,955.7	8,659.1
Total Liabilities and Stockholders' Equity	\$61,078.6	\$59,403.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars, except share data)	
Revenue		
Premium Income	\$1,938.5	\$1,930.9
Net Investment Income	612.5	621.1
Realized Investment Gain (Loss)		
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	(0.8)
Net Realized Investment Gain, Excluding Other-Than-Temporary Impairment	6.3	11.1
Loss on Fixed Maturity Securities		
Net Realized Investment Gain	6.3	10.3
Other Income	53.8	62.5
Total Revenue	2,611.1	2,624.8
Benefits and Expenses		
Benefits and Change in Reserves for Future Benefits	1,631.3	1,648.5
Commissions	236.0	238.2
Interest and Debt Expense	37.9	37.1
Deferral of Acquisition Costs	(129.0)	(118.2)
Amortization of Deferred Acquisition Costs	118.6	123.8
Compensation Expense	201.0	197.6
Other Expenses	188.8	194.0
Total Benefits and Expenses	2,284.6	2,321.0
Income Before Income Tax	326.5	303.8
Income Tax		
Current	29.7	81.8
Deferred	67.9	9.4
Total Income Tax	97.6	91.2
Net Income	\$228.9	\$212.6
Net Income Per Common Share		
Basic	\$0.88	\$0.79
Assuming Dilution	\$0.88	\$0.79

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Net Income	\$228.9	\$212.6
Other Comprehensive Income (Loss)		
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of \$371.1; \$(159.4))	710.0	(278.5)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of \$(272.0); \$108.6)	(520.4)	197.4
Change in Net Gain on Cash Flow Hedges (net of tax expense (benefit) of \$1.0; \$(0.2))	1.7	(2.0)
Change in Foreign Currency Translation Adjustment	7.6	(69.9)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of \$0.3; \$5.5)	0.5	10.7
Total Other Comprehensive Income (Loss)	199.4	(142.3)
Comprehensive Income	\$428.3	\$70.3

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	\$36.1	\$36.0
Additional Paid-in Capital		
Balance at Beginning of Year	2,634.1	2,607.7
Common Stock Activity	6.7	5.7
Balance at End of Period	2,640.8	2,613.4
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	255.0	628.0
Other Comprehensive Income (Loss)	199.4	(142.3)
Balance at End of Period	454.4	485.7
Retained Earnings		
Balance at Beginning of Year	8,083.2	7,371.6
Net Income	228.9	212.6
Dividends to Stockholders (per common share: \$0.145; \$0.130)	(38.3)	(35.7)
Balance at End of Period	8,273.8	7,548.5
Treasury Stock		
Balance at Beginning of Year	(2,349.3)	(2,030.7)
Purchases of Treasury Stock	(100.1)	(95.1)
Balance at End of Period	(2,449.4)	(2,125.8)
Total Stockholders' Equity at End of Period	\$8,955.7	\$8,557.8

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	\$228.9	\$212.6
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	14.0	(130.1)
Change in Deferred Acquisition Costs	(10.4)	5.6
Change in Insurance Reserves and Liabilities	120.6	197.6
Change in Income Taxes	136.5	40.1
Change in Other Accrued Liabilities	(62.6)	23.4
Non-cash Adjustments to Net Investment Income	(96.7)	(96.1)
Net Realized Investment Gain	(6.3)	(10.3)
Depreciation	20.8	21.2
Other, Net	1.9	1.1
Net Cash Provided by Operating Activities	346.7	265.1
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	193.4	158.4
Proceeds from Maturities of Fixed Maturity Securities	510.0	518.5
Proceeds from Sales and Maturities of Other Investments	57.4	42.3
Purchase of Fixed Maturity Securities	(904.4)	(721.9)
Purchase of Other Investments	(95.6)	(43.4)
Net Sales (Purchases) of Short-term Investments	(273.3)	256.3
Other, Net	(28.1)	(26.1)
Net Cash Provided (Used) by Investing Activities	(540.6)	184.1
Cash Flows from Financing Activities		
Net Short-term Debt Repayments	(14.9)	(219.5)
Issuance of Long-term Debt	347.2	—
Long-term Debt Repayments	(15.0)	(71.2)
Issuance of Common Stock	1.6	0.7
Repurchase of Common Stock	(100.5)	(99.0)
Dividends Paid to Stockholders	(38.3)	(35.7)
Other, Net	(4.1)	0.2
Net Cash Provided (Used) by Financing Activities	176.0	(424.5)
Net Increase (Decrease) in Cash and Bank Deposits	(17.9)	24.7
Cash and Bank Deposits at Beginning of Year	94.1	77.3
Cash and Bank Deposits at End of Period	\$76.2	\$102.0

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unum Group and Subsidiaries

March 31, 2014

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, 2013.

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 Outstanding:

ASC 323 "Investments - Equity Method and Joint Ventures"

In January 2014, the FASB issued an update to provide guidance on the accounting and reporting for investments in affordable housing projects that qualify for low-income housing tax credits. The amendments in the update permit entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). Additional disclosures concerning investments in qualified affordable housing projects will also be required by the update. The amendments in the update are effective for interim and annual periods beginning on or after December 15, 2014, with early adoption permitted, and are to be applied retrospectively. We have not yet finalized the expected impact on our financial position or results of operations. We expect to adopt this update effective January 1, 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

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.

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	\$43,666.8	\$43,666.8	\$42,344.4	\$42,344.4
Mortgage Loans	1,843.3	2,009.8	1,815.1	1,980.2
Policy Loans	3,268.3	3,336.3	3,276.0	3,339.6
Other Long-term Investments				
Derivatives	10.9	10.9	10.8	10.8
Equity Securities	15.1	15.1	16.4	16.4
Miscellaneous Long-term Investments	477.4	477.4	475.2	475.2
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	\$629.7	\$629.7	\$631.5	\$631.5
Supplementary Contracts without Life Contingencies	585.7	585.7	563.1	563.1
Long-term Debt	2,948.2	3,194.5	2,612.0	2,824.4
Other Liabilities				
Derivatives	117.7	117.7	135.6	135.6
Embedded Derivative in Modified Coinsurance Arrangement	44.7	44.7	53.2	53.2
Unfunded Commitments to Investment Partnerships	17.9	17.9	27.2	27.2

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

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

Mortgage Loans: Fair values are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings and maturities. Loans with similar characteristics are aggregated for purposes of the calculations. These financial instruments are assigned a Level 2 within the fair value hierarchy.

Policy Loans: Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal \$3,034.4 million and \$3,043.7 million as of March 31, 2014 and December 31, 2013, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Fair values for private equity partnerships are primarily derived from net asset values provided by the general partner in the partnerships' financial statements. Our private equity partnerships represent funds that are primarily invested in power, energy, railcar leasing, infrastructure development, and mezzanine debt. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. As of March 31, 2014, we estimate that the underlying assets of the funds will be liquidated over the next one to ten years. These financial instruments are assigned a Level 3 within the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

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

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

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 \$1,429.8 million and \$1,329.2 million as of March 31, 2014 and December 31, 2013, 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 \$1,764.7 million and \$1,495.2 million as of March 31, 2014 and December 31, 2013, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2014, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2013.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

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

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

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

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

At March 31, 2014, approximately 11.0 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 89.0 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

Approximately 72.4 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. 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 3.6 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 13.0 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

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.

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

	March 31, 2014			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions of dollars)				
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$189.2	\$967.5	\$—	\$1,156.7
States, Municipalities, and Political Subdivisions	—	1,770.7	156.1	1,926.8
Foreign Governments	—	1,290.6	80.4	1,371.0
Public Utilities	709.4	9,783.7	310.0	10,803.1
Mortgage/Asset-Backed Securities	—	2,286.3	0.4	2,286.7
All Other Corporate Bonds	3,912.3	20,698.2	1,473.6	26,084.1
Redeemable Preferred Stocks	—	14.0	24.4	38.4
Total Fixed Maturity Securities	4,810.9	36,811.0	2,044.9	43,666.8
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	8.1	—	8.1
Foreign Exchange Contracts	—	2.8	—	2.8
Total Derivatives	—	10.9	—	10.9
Equity Securities	—	12.0	3.1	15.1
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	\$—	\$30.9	\$—	\$30.9
Foreign Exchange Contracts	—	84.8	—	84.8
Credit Default Swaps	—	2.0	—	2.0
Embedded Derivative in Modified Coinsurance Arrangement	—	—	44.7	44.7
Total Derivatives	—	117.7	44.7	162.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$144.5	\$1,051.6	\$—	\$1,196.1
States, Municipalities, and Political Subdivisions	—	1,608.1	175.1	1,783.2
Foreign Governments	—	1,294.7	78.5	1,373.2
Public Utilities	396.8	9,802.7	203.5	10,403.0
Mortgage/Asset-Backed Securities	—	2,038.8	0.5	2,039.3
All Other Corporate Bonds	1,982.0	21,670.8	1,859.1	25,511.9
Redeemable Preferred Stocks	—	13.9	23.8	37.7
Total Fixed Maturity Securities	2,523.3	37,480.6	2,340.5	42,344.4
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	9.2	—	9.2
Foreign Exchange Contracts	—	1.6	—	1.6
Total Derivatives	—	10.8	—	10.8
Equity Securities	—	11.8	4.6	16.4
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	\$—	\$35.0	\$—	\$35.0
Foreign Exchange Contracts	—	98.7	—	98.7
Credit Default Swaps	—	1.9	—	1.9
Embedded Derivative in Modified Coinsurance Arrangement	—	—	53.2	53.2
Total Derivatives	—	135.6	53.2	188.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended March 31			
	2014		2013	
	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	\$ 163.2	\$ 121.5	\$ 256.9	\$—
States, Municipalities, and Political Subdivisions	—	—	—	19.4
Public Utilities	452.1	192.8	502.1	53.5
All Other Corporate Bonds	2,391.5	652.8	2,266.3	1,140.8
Total Fixed Maturity Securities	\$3,006.8	\$967.1	\$3,025.3	\$1,213.7

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

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

Three Months Ended March 31, 2014								
Total Realized and Unrealized Investment Gains (Losses) Included in								
	Beginning of Year	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers Into	Level 3 Transfers Out of	End of Period
(in millions of dollars)								
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$ 175.1	\$—	\$ 6.5	\$—	\$—	\$—	\$(25.5)	\$ 156.1
Foreign Governments	78.5	—	1.9	—	—	—	—	80.4
Public Utilities	203.5	—	5.6	6.6	—	124.5	(30.2)	310.0
Mortgage/Asset-Backed Securities	0.5	—	—	—	(0.1)	—	—	0.4
All Other Corporate Bonds	1,859.1	—	24.2	73.0	(29.6)	362.9	(816.0)	1,473.6
Redeemable Preferred Stocks	23.8	—	0.6	—	—	—	—	24.4
Total Fixed Maturity Securities	2,340.5	—	38.8	79.6	(29.7)	487.4	(871.7)	2,044.9
Equity Securities	4.6	2.1	(0.1)	—	(3.5)	—	—	3.1
Embedded Derivative in Modified Coinsurance Arrangement	(53.2)	8.5	—	—	—	—	—	(44.7)

Three Months Ended March 31, 2013								
Total Realized and Unrealized Investment Gains (Losses) Included in								
	Beginning of Year	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers Into	Level 3 Transfers Out of	End of Period
(in millions of dollars)								
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$ 128.7	\$—	\$ 2.7	\$—	\$—	\$ 43.4	\$—	\$ 174.8
Foreign Governments	82.1	—	0.5	—	—	—	—	82.6
Public Utilities	574.4	—	1.1	—	(0.1)	252.3	(425.2)	402.5

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Mortgage/Asset-Backed Securities	0.5	—	—	—	—	—	—	0.5			
All Other Corporate Bonds	1,177.8	0.8	(8.8	)	30.3	(18.1	)	382.4	(572.1	)	992.3
Redeemable Preferred Stocks	24.8	—	—	—	—	—	—	—	24.8		
Total Fixed Maturity Securities	1,988.3	0.8	(4.5	)	30.3	(18.2	)	678.1	(997.3	)	1,677.5
Equity Securities	4.3	—	—	—	—	—	—	—	4.3		
Embedded Derivative in Modified Coinsurance Arrangement	(83.9	)	6.4	—	—	—	—	—	(77.5	)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses only for the time during which the applicable financial instruments were classified as Level 3. The transfers between levels resulted primarily from a change in observability of three inputs used to determine fair values of the securities transferred: (1) transactional data for new issuance and secondary trades, (2) broker/dealer quotes and pricing, primarily related to changes in the level of activity in the market and whether the market was considered orderly, and (3) comparable bond metrics from which to perform an analysis. For fair value measurements of financial instruments that were transferred either into or out of Level 3, we reflect the transfers using the fair value at the beginning of the period. We believe this allows for greater transparency, as all changes in fair value that arise during the reporting period of the transfer are disclosed as a component of our Level 3 reconciliation. Gains for the three months ended March 31, 2014 and 2013 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 \$8.5 million and \$6.4 million, 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.

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

	March 31, 2014		
	Fair Value	Unobservable Input	Range/Weighted Average
	(in millions of dollars)		
Fixed Maturity Securities			
States, Municipalities, and Political Subdivisions - Private	\$ 122.1	- Comparability Adjustment	(b) 0.25% - 1.25% / 0.74%
Public Utilities	72.4	- Volatility of Credit	(e) 0.75% - 1.50% / 1.05%
Mortgage/Asset-Backed Securities - Private	0.4	- Discount for Size	(c) 5.60% - 5.71% / 5.68%
		- Change in Benchmark Reference	(a) 0.54% - 0.75% / 0.67%
		- Comparability Adjustment	(b) (0.70)% - (0.40)% / (0.60)%
All Other Corporate Bonds - Private	296.1	- Discount for Size	(c) 0.50% - 0.50% / 0.50%
		- Lack of Marketability	(d) 0.20% - 2.96% / 1.01%
		- Volatility of Credit	(e) 0.40% - 4.00% / 0.85%
		- Market Convention	(f) Priced at Par
		- Change in Benchmark Reference	(a) (0.85%) - (0.85%) / (0.85)%
All Other Corporate Bonds - Public	344.7	- Comparability Adjustment	(b) 0.20% - 1.43% / 0.60%
		- Lack of Marketability	(d) 0.10% - 0.25% / 0.23%
		- Volatility of Credit	(e) (0.86)% - 1.34% / (0.03)%
Equity Securities - Private	2.8	- Market Convention	(f) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(44.7)	- Projected Liability Cash Flows	(g) Actuarial Assumptions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2013		
	Fair Value	Unobservable Input	Range/Weighted Average
	(in millions of dollars)		
Fixed Maturity Securities			
States, Municipalities, and Political Subdivisions - Private	\$ 142.7	- Comparability Adjustment	(b) 0.25% - 1.25% / 0.65%
Public Utilities	64.3	- Volatility of Credit	(e) 0.75% - 1.25% / 0.92%
Mortgage/Asset-Backed Securities - Private	0.5	- Discount for Size	(c) 4.93% - 5.03% / 5.01%
		- Change in Benchmark Reference	(a) 3.36% - 3.36% / 3.36%
		- Comparability Adjustment	(b) (0.70)% - (0.40)% / (0.60)%
All Other Corporate Bonds - Private	307.0	- Discount for Size	(c) 0.50% - 0.50% / 0.50%
		- Lack of Marketability	(d) 0.20% - 1.00% / 0.55%
		- Volatility of Credit	(e) 0.07% - 4.00% / 0.84%
		- Market Convention	(f) Priced at Par
		- Change in Benchmark Reference	(a) (0.32)% - 0.25% / 0.04%
All Other Corporate Bonds - Public	514.4	- Comparability Adjustment	(b) (0.23)% - 1.00% / 0.41%
		- Lack of Marketability	(d) 0.20% - 0.20% / 0.20%
		- Volatility of Credit	(e) (0.88)% - 0.46% / (0.26)%
Equity Securities - Private	4.2	- Market Convention	(f) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(53.2)	- Projected Liability Cash Flows	(g) Actuarial Assumptions

(a) Represents basis point adjustments for changes in benchmark spreads associated with various ratings categories

(b) Represents basis point adjustments for changes in benchmark spreads associated with various industry sectors

(c) Represents basis point adjustments based on issue/issuer size relative to the benchmark

(d) Represents basis point adjustments to apply a discount due to the illiquidity of an investment

(e) Represents basis point adjustments for credit-specific factors

(f) Represents a decision to price based on par value, cost, or owner's equity when limited data is available

(g) Represents various actuarial assumptions required to derive the liability cash flows including incidence, termination, and lapse rates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments

Fixed Maturity Securities

At March 31, 2014 and December 31, 2013, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows.

	March 31, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$959.1	\$200.1	\$2.5	\$1,156.7
States, Municipalities, and Political Subdivisions	1,732.3	212.2	17.7	1,926.8
Foreign Governments	1,205.7	166.3	1.0	1,371.0
Public Utilities	9,436.8	1,394.3	28.0	10,803.1
Mortgage/Asset-Backed Securities	2,102.5	186.8	2.6	2,286.7
All Other Corporate Bonds	23,046.6	3,125.5	88.0	26,084.1
Redeemable Preferred Stocks	33.0	5.4	—	38.4
Total Fixed Maturity Securities	\$38,516.0	\$5,290.6	\$139.8	\$43,666.8
	December 31, 2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$1,028.6	\$173.1	\$5.6	\$1,196.1
States, Municipalities, and Political Subdivisions	1,706.0	117.2	40.0	1,783.2
Foreign Governments	1,226.4	149.6	2.8	1,373.2
Public Utilities	9,328.9	1,126.9	52.8	10,403.0
Mortgage/Asset-Backed Securities	1,858.7	184.6	4.0	2,039.3
All Other Corporate Bonds	23,108.0	2,602.6	198.7	25,511.9
Redeemable Preferred Stocks	33.0	4.7	—	37.7
Total Fixed Maturity Securities	\$38,289.6	\$4,358.7	\$303.9	\$42,344.4

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

	March 31, 2014			
	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	\$9.2	\$0.5	\$5.8	\$2.0
States, Municipalities, and Political Subdivisions	186.3	9.8	55.9	7.9

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Foreign Governments	34.8	1.0	—	—
Public Utilities	628.0	24.2	49.2	3.8
Mortgage/Asset-Backed Securities	261.4	2.2	2.4	0.4
All Other Corporate Bonds	1,908.6	66.6	257.1	21.4
Total Fixed Maturity Securities	\$3,028.3	\$104.3	\$370.4	\$35.5

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

	December 31, 2013		12 Months or Greater	
	Less Than 12 Months			
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$41.1	\$3.1	\$5.2	\$2.5
States, Municipalities, and Political Subdivisions	412.5	33.5	37.2	6.5
Foreign Governments	87.2	2.8	—	—
Public Utilities	870.6	47.1	58.7	5.7
Mortgage/Asset-Backed Securities	341.0	3.6	2.5	0.4
All Other Corporate Bonds	3,412.3	174.0	207.4	24.7
Total Fixed Maturity Securities	\$5,164.7	\$264.1	\$311.0	\$39.8

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

	March 31, 2014				
	Total Amortized Cost	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	\$841.9	\$21.5	\$854.4	\$—	\$9.0
Over 1 year through 5 years	7,186.2	769.6	7,908.9	0.3	46.6
Over 5 years through 10 years	9,640.0	1,030.0	9,239.5	41.2	1,389.3
Over 10 years	18,745.4	3,282.7	20,242.4	95.7	1,690.0
	36,413.5	5,103.8	38,245.2	137.2	3,134.9
Mortgage/Asset-Backed Securities	2,102.5	186.8	2,022.9	2.6	263.8
Total Fixed Maturity Securities	\$38,516.0	\$5,290.6	\$40,268.1	\$139.8	\$3,398.7
	December 31, 2013				
	Total Amortized Cost	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	\$903.9	\$20.6	\$915.5	\$—	\$9.0
Over 1 year through 5 years	7,098.2	727.1	7,678.5	0.6	146.2
Over 5 years through 10 years	9,492.6	940.2	8,137.4	95.8	2,199.6
Over 10 years	18,936.2	2,486.2	18,441.5	203.5	2,777.4
	36,430.9	4,174.1	35,172.9	299.9	5,132.2
Mortgage/Asset-Backed Securities	1,858.7	184.6	1,695.8	4.0	343.5
Total Fixed Maturity Securities	\$38,289.6	\$4,358.7	\$36,868.7	\$303.9	\$5,475.7

At March 31, 2014, the fair value of investment-grade fixed maturity securities was \$40,372.3 million, with a gross unrealized gain of \$5,104.7 million and a gross unrealized loss of \$113.5 million. The gross unrealized loss on

investment-grade fixed maturity securities was 81.2 percent of the total gross unrealized loss on fixed maturity securities. Unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities.

At March 31, 2014, the fair value of below-investment-grade fixed maturity securities was \$3,294.5 million, with a gross unrealized gain of \$185.9 million and a gross unrealized loss of \$26.3 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 18.8 percent of the total gross unrealized loss on fixed maturity securities. Generally, below-investment-grade fixed maturity securities are more likely to develop credit concerns than investment-grade securities. At

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

March 31, 2014, 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 there are positive factors which mitigate credit concerns and the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of March 31, 2014, we held 148 individual investment-grade fixed maturity securities and 38 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 16 investment-grade fixed maturity securities and 10 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

March 31, 2014

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.

We held no fixed maturity securities as of March 31, 2014 or December 31, 2013 for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income.

At March 31, 2014, we had non-binding commitments of \$60.0 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 March 31, 2014, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$473.0 million, comprised of \$304.8 million of tax credit partnerships and \$168.2 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 \$17.9 million at March 31, 2014. 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 \$144.7 million to fund certain private equity partnerships at March 31, 2014, the amount of which may or may not be funded.

We are the sole beneficiary of a special purpose entity which is consolidated in our financial statements. This entity is a securitized asset trust containing a highly rated bond for principal protection and a private equity partnership investment. We contributed the bond and several 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 remaining partnership 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. The fair values of the bond and partnership were \$138.1 million and \$4.4 million, respectively, as of March 31, 2014. The bond is reported as a component of fixed maturity securities, and the partnership is reported as a component of other long-term investments in our consolidated balance sheets. At March 31, 2014, we had no commitments to fund the underlying partnership, nor did we fund any amounts to the partnerships during the three months ended March 31, 2014 and 2013.

Mortgage Loans

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

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

	March 31, 2014 (in millions of dollars)			December 31, 2013		
Property Type	Carrying Amount	Percent of Total		Carrying Amount	Percent of Total	
Apartment	\$74.5	4.0	%	\$61.1	3.3	%
Industrial	538.0	29.2		567.8	31.3	
Office	809.6	43.9		776.5	42.8	
Retail	421.2	22.9		409.7	22.6	
Total	\$1,843.3	100.0	%	\$1,815.1	100.0	%
Region						
New England	\$122.5	6.7	%	\$100.9	5.6	%
Mid-Atlantic	186.2	10.1		191.5	10.5	
East North Central	227.4	12.3		244.3	13.5	
West North Central	172.8	9.4		162.3	8.9	
South Atlantic	441.1	23.9		447.7	24.7	
East South Central	66.5	3.6		67.7	3.7	
West South Central	206.5	11.2		190.9	10.5	
Mountain	114.7	6.2		101.9	5.6	
Pacific	305.6	16.6		307.9	17.0	
Total	\$1,843.3	100.0	%	\$1,815.1	100.0	%

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

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

	March 31 2014	December 31 2013
	(in millions of dollars)	
Internal Rating		
Aa	\$10.6	\$10.8
A	666.8	683.1
Baa	1,121.3	1,094.6
Ba	13.4	13.5
B	31.2	13.1
Total	\$1,843.3	\$1,815.1
Loan-to-Value Ratio		
<= 65%	\$815.3	\$777.4
> 65% <= 75%	888.4	867.5
> 75% <= 85%	95.1	107.6
> 85%	44.5	62.6
Total	\$1,843.3	\$1,815.1

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. We hold one mortgage loan which was modified in a troubled debt restructuring during the three months ended March 31, 2014. The loan had a principal balance of \$21.1 million prior to the restructuring, wherein the terms of the loan were modified to reduce monthly payments to interest-only at the current note rate and to permit a discounted payoff by the end of 2014. We increased our allowance for credit losses on mortgage loans for this restructuring and recognized an impairment loss of \$3.0 million. We had no troubled debt restructurings during the three months ended March 31, 2013.

For mortgage loans on which collection of interest income is uncertain, we discontinue the accrual of interest and recognize it in the period when an interest payment is received. We typically do not resume the accrual of interest on mortgage loans on nonaccrual status until there are significant improvements in the underlying financial condition of the borrower. We consider a loan to be delinquent if full payment is not received in accordance with the contractual terms of the loan. At March 31, 2014 and December 31, 2013, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Balance at Beginning of Year	\$1.5	\$1.5
Provision	3.0	—
Balance at End of Period	\$4.5	\$1.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

Impaired mortgage loans are as follows:

March 31, 2014 (in millions of dollars)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an Allowance Recorded	\$31.2	\$35.7	\$4.5
December 31, 2013 (in millions of dollars)			
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an Allowance Recorded	\$13.1	\$14.6	\$1.5

Our average investment in impaired mortgage loans was \$19.1 million and \$17.4 million for the three months ended March 31, 2014 and 2013, respectively, and we recognized \$0.3 million and \$0.2 million, respectively, of interest income on those loans.

At March 31, 2014, we had non-binding commitments of \$21.7 million to fund certain commercial mortgage loans, the amount of which may or may not be funded.

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 March 31, 2014, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$187.4 million, for which we received collateral in the form of cash and securities of \$61.6 million and \$132.5 million, respectively. As of December 31, 2013, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$201.6 million, for which we received collateral in the form of

cash and securities of \$76.5 million and \$132.9 million, respectively. We had no outstanding repurchase agreements at March 31, 2014 or December 31, 2013.

Offsetting of Financial Instruments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

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

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

	March 31, 2014					
	Gross Amount of Recognized Financial Instruments (in millions of dollars)	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
Financial Assets:						
Derivatives	\$10.9	\$—	\$10.9	\$(7.9)	\$(2.8)	\$0.2
Securities Lending	187.4	—	187.4	(125.8)	(61.6)	—
Total	\$198.3	\$—	\$198.3	\$(133.7)	\$(64.4)	\$0.2
Financial Liabilities:						
Derivatives	\$117.7	\$—	\$117.7	\$(84.1)	\$—	\$33.6
Securities Lending	61.6	—	61.6	(61.6)	—	—
Total	\$179.3	\$—	\$179.3	\$(145.7)	\$—	\$33.6
	December 31, 2013					
	Gross Amount of Recognized Financial Instruments (in millions of dollars)	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
Financial Assets:						
Derivatives	\$10.8	\$—	\$10.8	\$(9.5)	\$(1.1)	\$0.2
Securities Lending	201.6	—	201.6	(125.1)	(76.5)	—
Total	\$212.4	\$—	\$212.4	\$(134.6)	\$(77.6)	\$0.2
Financial Liabilities:						
Derivatives	\$135.6	\$—	\$135.6	\$(98.6)	\$—	\$37.0
Securities Lending	76.5	—	76.5	(76.5)	—	—
Total	\$212.1	\$—	\$212.1	\$(175.1)	\$—	\$37.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 4 - Investments - Continued

Net Investment Income

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Fixed Maturity Securities	\$581.1	\$589.9
Derivative Financial Instruments	9.9	7.7
Mortgage Loans	28.4	26.0
Policy Loans	3.9	3.7
Other Long-term Investments	3.8	7.7
Short-term Investments	0.5	0.8
Gross Investment Income	627.6	635.8
Less Investment Expenses	8.0	7.1
Less Investment Income on Participation Fund Account Assets	3.8	4.0
Less Amortization of Tax Credit Partnerships	3.3	3.6
Net Investment Income	\$612.5	\$621.1

Realized Investment Gain and Loss

Realized investment gains and losses, which for sales are based upon specific identification of the investments sold, are as follows:

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Fixed Maturity Securities		
Gross Gains on Sales	\$0.9	\$6.6
Gross Losses on Sales	(5.4	) (5.5
Other-Than-Temporary Impairment Loss	—	(0.8
Mortgage Loans and Other Invested Assets		
Gross Gains on Sales	7.4	7.6
Gross Losses on Sales	(0.6	) —
Impairment Loss	(3.0	) (1.0
Embedded Derivative in Modified Coinsurance Arrangement	8.5	6.4
Credit Default Swaps	(0.4	) (0.3
Foreign Currency Transactions	(1.1	) (2.7
Net Realized Investment Gain	\$6.3	\$10.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

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. We do not use derivative financial instruments for speculative purposes.

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

Interest rate swaps are used to hedge interest rate risks and to improve the matching of assets and liabilities. An interest rate swap is an agreement in which we agree with other parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts. We use interest rate swaps to hedge the anticipated purchase of fixed maturity securities thereby protecting us from the potential adverse impact of declining interest rates on the associated policy reserves. We also use interest rate swaps to hedge the potential adverse impact of rising interest rates in anticipation of issuing fixed rate long-term debt.

Forward 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 principal and interest payments 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 principal and 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 principal 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

March 31, 2014

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, including accrued interest receivable less collateral held, was \$0.2 million at March 31, 2014. We held \$2.8 million and \$1.1 million cash collateral from our counterparties at March 31, 2014 and December 31, 2013, respectively. 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 \$80.4 million and \$95.6 million at March 31, 2014 and December 31, 2013, respectively. We had no cash posted as collateral to our counterparties at March 31, 2014 and December 31, 2013. See Note 4 for further discussion of our master netting agreements.

The majority of our derivative instruments contain provisions that require us to maintain specified issuer credit ratings and financial strength ratings. Should our ratings fall below these specified levels, we would be in violation of the provisions, and our derivatives counterparties could terminate our contracts and request immediate payment. The aggregate fair value of all derivative instruments with credit risk-related contingent features that were in a liability position was \$117.7 million and \$135.6 million at March 31, 2014 and December 31, 2013, respectively.

Derivative Transactions

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

Swaps			Credit Default	Forwards	Total
Receive Variable/Pay Fixed	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable			
(in millions of dollars)					

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Balance at December 31, 2012	\$174.0	\$508.8	\$750.0	\$—	\$—	\$1,432.8
Additions	—	—	—	70.0	24.0	94.0
Terminations	—	18.0	40.0	—	24.0	82.0
Balance at March 31, 2013	174.0	490.8	710.0	70.0	—	1,444.8
Balance at December 31, 2013	150.0	630.4	600.0	97.0	—	1,477.4
Additions	—	—	—	—	10.0	10.0
Terminations	—	7.9	—	—	10.0	17.9
Balance at March 31, 2014	\$150.0	\$622.5	\$600.0	\$97.0	\$—	\$1,469.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 5 - Derivative Financial Instruments - Continued

Cash Flow Hedges

As of March 31, 2014 and December 31, 2013, we had \$622.5 million and \$630.4 million, respectively, notional amount of receive fixed, pay fixed, open current and forward foreign currency swaps to hedge fixed income foreign currency-denominated securities and U.S. dollar-denominated debt issued by one of our U.K. subsidiaries.

For the three months ended March 31, 2014 and 2013, 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 March 31, 2014, we expect to amortize approximately \$47.3 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. 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.

Subsequent to March 31, 2014, we gave notice of our election to redeem on May 15, 2014 a portion of the outstanding principal of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. In conjunction with this redemption, we will reclassify approximately \$13 million of the deferred gain on cash flow hedges from accumulated other comprehensive income to realized investment gain in our consolidated statements of income. This amount represents the applicable portion of the deferred gain from previously terminated derivatives associated with the hedge of this debt. See Note 11 for further information.

As of March 31, 2014, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2038.

Fair Value Hedges

As of March 31, 2014 and December 31, 2013, we had \$150.0 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. The change in fair value of the hedged fixed maturity securities attributable to the hedged benchmark interest rate resulted in a loss of \$1.4 million and \$2.4 million for the three months ended March 31, 2014 and 2013, respectively, with an offsetting gain on the related interest rate swaps.

As of March 31, 2014 and December 31, 2013, 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 (loss) of \$(1.6) million and \$4.1 million for the three months ended March 31, 2014 and 2013, respectively, with an offsetting gain or loss on the related interest rate swaps.

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For the three months ended March 31, 2014, and 2013, 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 March 31, 2014 and December 31, 2013, we held \$97.0 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 5 - Derivative Financial Instruments - Continued

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.

Locations and Amounts of Derivative Financial Instruments

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

	March 31, 2014			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet	Fair	Balance Sheet	Fair
	Location	Value	Location	Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	\$8.1	Other Liabilities	\$30.9
Foreign Exchange Contracts	Other L-T Investments	2.8	Other Liabilities	84.8
Total		\$10.9		\$115.7
Not Designated as Hedging Instruments				
Credit Default Swaps			Other Liabilities	\$2.0
Embedded Derivative in Modified			Other Liabilities	44.7
Coinsurance Arrangement				
Total				\$46.7
	December 31, 2013			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet	Fair	Balance Sheet	Fair
	Location	Value	Location	Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	\$9.2	Other Liabilities	\$35.0
Foreign Exchange Contracts	Other L-T Investments	1.6	Other Liabilities	98.7
Total		\$10.8		\$133.7
Not Designated as Hedging Instruments				
Credit Default Swaps			Other Liabilities	\$1.9
Embedded Derivative in Modified			Other Liabilities	53.2
Coinsurance Arrangement				
Total				\$55.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

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.

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives		
Interest Rate Swaps and Forwards	\$—	\$(2.2)
Foreign Exchange Contracts	12.9	4.1
Total	\$12.9	\$1.9
Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income		
Net Investment Income		
Interest Rate Swaps and Forwards	\$11.7	\$10.0
Foreign Exchange Contracts	(1.1)	(1.7)
Net Realized Investment Gain (Loss)		
Interest Rate Swaps	2.5	—
Foreign Exchange Contracts	(2.1)	(6.7)
Interest and Debt Expense		
Interest Rate Swaps	(0.4)	(0.4)
Total	\$10.6	\$1.2

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Net Realized Investment Gain (Loss)		
Credit Default Swaps	\$(0.4)	\$(0.3)
Embedded Derivative in Modified Coinsurance Arrangement	8.5	6.4
Total	\$8.1	\$6.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 6 - Accumulated Other Comprehensive Income

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

	Net Unrealized Gain on Securities (in millions of dollars)	Net Gain on Cash Flow Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
Balance at December 31, 2013	\$135.7	\$396.3	\$(47.1)	\$(229.9)	\$255.0
Other Comprehensive Income (Loss) Before Reclassifications	187.2	8.5	7.6	(0.2)	203.1
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	2.4	(6.8)	—	0.7	(3.7)
Net Other Comprehensive Income	189.6	1.7	7.6	0.5	199.4
Balance at March 31, 2014	\$325.3	\$398.0	\$(39.5)	\$(229.4)	\$454.4
Balance at December 31, 2012	\$873.5	\$401.6	\$(72.6)	\$(574.5)	\$628.0
Other Comprehensive Income (Loss) Before Reclassifications	(73.3)	(1.2)	(69.9)	1.7	(142.7)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(7.8)	(0.8)	—	9.0	0.4
Net Other Comprehensive Income (Loss)	(81.1)	(2.0)	(69.9)	10.7	(142.3)
Balance at March 31, 2013	\$792.4	\$399.6	\$(142.5)	\$(563.8)	\$485.7

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

	March 31 2014 (in millions of dollars)	December 31 2013	Change
Fixed Maturity Securities	\$5,150.8	\$4,054.8	\$1,096.0
Other Investments	40.6	55.5	(14.9)
Deferred Acquisition Costs	(48.9)	(41.6)	(7.3)
Reserves for Future Policy and Contract Benefits	(4,939.7)	(4,108.5)	(831.2)
Reinsurance Recoverable	309.9	263.8	46.1
Deferred Income Tax	(187.4)	(88.3)	(99.1)
Total	\$325.3	\$135.7	\$189.6
	March 31 2013 (in millions of dollars)	December 31 2012	Change
Fixed Maturity Securities	\$6,803.9	\$7,221.5	\$(417.6)
Other Investments	72.5	92.8	(20.3)
Deferred Acquisition Costs	(61.2)	(67.0)	5.8
Reserves for Future Policy and Contract Benefits	(5,979.7)	(6,277.5)	297.8

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Reinsurance Recoverable	353.9	351.5	2.4	
Deferred Income Tax	(397.0	) (447.8	) 50.8	
Total	\$792.4	\$873.5	\$(81.1	)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 6 - Accumulated Other Comprehensive Income - Continued

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Net Unrealized Gain on Securities		
Net Realized Investment Gain (Loss)		
Gain (Loss) on Sales of Securities and Other Invested Assets	\$(3.7)	) \$12.7
Other-Than-Temporary Impairment Loss	—	(0.8)
	(3.7)	) 11.9
Income Tax Expense (Benefit)	(1.3)	) 4.1
Total	\$(2.4)	) \$7.8
Net Gain on Cash Flow Hedges		
Net Investment Income		
Gain on Interest Rate Swaps and Forwards	\$11.7	\$10.0
Loss on Foreign Exchange Contracts	(1.1)	) (1.7)
Net Realized Investment Gain (Loss)		
Gain on Interest Rate Swaps	2.5	—
Loss on Foreign Exchange Contracts	(2.1)	) (6.7)
Interest and Debt Expense		
Loss on Interest Rate Swaps	(0.4)	) (0.4)
	10.6	1.2
Income Tax Expense	3.8	0.4
Total	\$6.8	\$0.8
Unrecognized Pension and Postretirement Benefit Costs		
Other Expenses		
Amortization of Net Actuarial Loss	\$(1.4)	) \$(14.9)
Amortization of Prior Service Credit	0.4	1.2
	(1.0)	) (13.7)
Income Tax Benefit	(0.3)	) (4.7)
Total	\$(0.7)	) \$(9.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 7 - Segment Information

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

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Unum US		
Group Disability		
Group Long-term Disability	\$383.5	\$392.7
Group Short-term Disability	137.3	131.0
Group Life and Accidental Death & Dismemberment		
Group Life	309.9	302.2
Accidental Death & Dismemberment	30.6	30.9
Supplemental and Voluntary		
Individual Disability - Recently Issued	115.9	120.1
Voluntary Benefits	175.3	162.8
	1,152.5	1,139.7
Unum UK		
Group Long-term Disability	103.0	97.9
Group Life	34.8	31.0
Supplemental	13.9	14.9
	151.7	143.8
Colonial Life		
Accident, Sickness, and Disability	189.1	184.8
Life	57.4	54.8
Cancer and Critical Illness	69.9	67.5
	316.4	307.1
Closed Block		
Individual Disability	161.1	181.8
Long-term Care	156.5	158.8
All Other	0.3	(0.3)
	317.9	340.3
Total	\$1,938.5	\$1,930.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

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 March 31, 2014						
Premium Income	\$1,152.5	\$151.7	\$316.4	\$317.9	\$—	\$1,938.5
Net Investment Income	226.4	33.6	36.9	316.3	(0.7)	612.5
Other Income	30.9	(0.1)	(0.1)	21.6	1.5	53.8
Operating Revenue	\$1,409.8	\$185.2	\$353.2	\$655.8	\$0.8	\$2,604.8
Operating Income (Loss)	\$210.8	\$36.5	\$79.4	\$29.1	\$(34.2)	\$321.6
Three Months Ended March 31, 2013						
Premium Income	\$1,139.7	\$143.8	\$307.1	\$340.3	\$—	\$1,930.9
Net Investment Income	235.7	30.8	39.7	313.1	1.8	621.1
Other Income	36.7	0.1	—	24.1	1.6	62.5
Operating Revenue	\$1,412.1	\$174.7	\$346.8	\$677.5	\$3.4	\$2,614.5
Operating Income (Loss)	\$208.1	\$31.3	\$75.4	\$27.3	\$(33.7)	\$308.4

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

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars)	
Operating Revenue	\$2,604.8	\$2,614.5
Net Realized Investment Gain	6.3	10.3
Total Revenue	\$2,611.1	\$2,624.8
Operating Income	\$321.6	\$308.4
Net Realized Investment Gain	6.3	10.3
Non-operating Retirement-related Loss	(1.4)	(14.9)
Income Before Income Tax	\$326.5	\$303.8

Assets by segment are as follows:

	March 31 2014	December 31 2013
	(in millions of dollars)	
Unum US	\$18,517.9	\$18,384.3
Unum UK	3,793.4	3,654.1
Colonial Life	3,542.5	3,482.9
Closed Block	32,397.3	31,564.2

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Corporate	2,827.5	2,318.1
Total	\$61,078.6	\$59,403.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 8 - Employee Benefit Plans

Defined Benefit Pension and Other Postretirement Benefit Plans

We sponsor several defined benefit pension and other postretirement benefit (OPEB) plans for our employees, including non-qualified pension plans. We maintain a separate defined benefit plan for eligible employees in our U.K. operation (the U.K. plan). The U.S. defined benefit pension plans were closed to new entrants and amended to freeze participation and benefit accruals for existing participants effective December 31, 2013. The U.K. plan was closed to new entrants effective December 31, 2002 and was amended to freeze participation for existing participants effective June 30, 2014.

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

	Three Months Ended March 31					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		OPEB	
	2014	2013	2014	2013	2014	2013
	(in millions of dollars)					
Service Cost	\$0.9	\$14.9	\$1.1	\$1.1	\$0.1	\$0.2
Interest Cost	22.5	21.9	2.3	2.1	2.0	2.0
Expected Return on Plan Assets	(29.5)	(25.5)	(3.4)	(3.0)	(0.2)	(0.2)
Amortization of:						
Net Actuarial Loss	1.3	14.6	0.1	0.3	—	—
Prior Service Credit	—	—	—	—	(0.4)	(1.2)
Total	\$(4.8)	\$25.9	\$0.1	\$0.5	\$1.5	\$0.8

Note 9 - Stockholders' Equity and Earnings Per Common Share

Earnings Per Common Share

Net income per common share is determined as follows:

	Three Months Ended March 31	
	2014	2013
	(in millions of dollars, except share data)	
Numerator		
Net Income	\$228.9	\$212.6
Denominator (000s)		
Weighted Average Common Shares - Basic	259,408.5	269,361.1
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	1,301.4	993.3
Weighted Average Common Shares - Assuming Dilution	260,709.9	270,354.4
Net Income Per Common Share		
Basic	\$0.88	\$0.79
Assuming Dilution	\$0.88	\$0.79

We use the treasury stock method to account for the effect of outstanding stock options, nonvested restricted stock units, and nonvested performance share units on the computation of diluted earnings per share. Under this method, these potential common shares will each have a dilutive effect, as individually measured, when the average market price of Unum Group common stock during the period exceeds the exercise price of the stock options and the grant price of the nonvested restricted stock units and the nonvested performance share units. The outstanding stock options have exercise prices ranging from \$11.37 to \$26.29, the nonvested restricted stock units have grant prices ranging from \$19.38 to \$34.73, and the nonvested performance share units have grant prices ranging from \$23.97 to \$33.86.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 9 - Stockholders' Equity and Earnings Per Common Share - Continued

In computing earnings per share assuming dilution, only potential common shares that are dilutive (those that reduce earnings per share) are included. For the three month periods ended March 31, 2014 and 2013, a de minimis amount and approximately 0.4 million potential common shares, respectively, were excluded in the computation of diluted earnings per share because the impact would be antidilutive, based on then current market prices.

Common Stock

Our board of directors has authorized the repurchase of Unum Group's common stock under the following repurchase programs:

	Share Repurchase Program Authorized During	
	December 2013	July 2012
	(in millions of dollars)	
Authorized Repurchase Amount	\$750.0	\$750.0
Remaining Repurchase Amount at March 31, 2014	\$629.9	\$—

The December 2013 share repurchase program has an expiration date of June 12, 2015.

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

	Three Months Ended March 31	
	2014	2013
	(in millions)	
Shares Repurchased	2.9	3.7
Cost of Shares Repurchased	\$100.1	\$95.1

Preferred Stock

Unum Group has 25,000,000 shares of preferred stock authorized with a par value of \$0.10 per share. No preferred stock has been issued to date.

Note 10 - Commitments and Contingent Liabilities

Contingent Liabilities

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

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

Claims Handling Matters

We and our insurance subsidiaries, in the ordinary course of our business, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Most typically these lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 10 - Commitments and Contingent Liabilities - Continued

consideration of the reserves maintained, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of operations for the particular period.

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

Miscellaneous Matters

In October 2010, Denise Merrimon, Bobby S. Mowery, and all others similarly situated vs. Unum Life Insurance Company of America, was filed in the United States District Court for the District of Maine. This class action alleges that we breached fiduciary duties owed to certain beneficiaries under certain group life insurance policies when we paid life insurance proceeds by establishing interest-bearing retained asset accounts rather than by mailing checks. Plaintiffs seek to represent a class of beneficiaries under group life insurance contracts that were part of the ERISA employee welfare benefit plans and under which we paid death benefits via retained asset accounts. The plaintiffs' principal theories in the case are: (1) funds held in retained asset accounts were plan assets, and the proceeds earned by us from investing those funds belonged to the beneficiaries, and (2) payment of claims using retained asset accounts did not constitute payment under Maine's late payment statute, requiring us to pay interest on the undrawn retained asset account funds at an annual rate of 18 percent. In February 2012, the District Court issued an opinion rejecting both of plaintiffs' principal theories and ordering judgment for us. At the same time, however, the District Court held that we breached a fiduciary duty to the beneficiaries by failing to pay rates comparable to the best rates available in the market for demand deposits. The District Court also certified a class of people who, during a certain period of time, were beneficiaries under certain group life insurance contracts that were part of ERISA employee welfare benefit plans and were paid death benefits using retained asset accounts. A bench trial was held on the issue of damages in June and July of 2013. In September 2013, the District Court awarded damages based on a benchmark it created by averaging the interest rates paid on money market mutual funds and money market checking accounts. Based on these averages, the District Court found that for certain periods of the class we should have paid additional interest and awarded damages of \$12.1 million and prejudgment interest of \$1.3 million. Subsequent to this judgment, in September 2013 we filed an appeal to the First Circuit Court of Appeals, and plaintiffs filed a cross appeal. Based on contrary law that has developed recently in similar cases, we believe that we have strong legal arguments to raise on appeal. We have not accrued a loss for the judgment because we have determined that we do not have a probable loss under the applicable accounting standard relating to the accrual of loss contingencies. We cannot predict the timing of a decision or assure the ultimate outcome of our appeal.

Beginning in 2011, a number of state regulators began requiring insurers to cross-check specified insurance policies with the Social Security Administration's Death Master File to identify potential matches. If a potential match was identified, insurers were requested to determine if benefits were due, locate beneficiaries, and make payments where appropriate. We initiated this process where requested, and in 2012 we began implementing this process in all states on a forward-looking basis. In addition to implementing this on a forward-looking basis, in 2013 we began an initiative to search for potential claims from previous years. During 2013, we completed our assessment of benefits which we estimate will be paid under this initiative, and as such, established additional reserves for payment of these benefits. Similar to other insurers, we are undergoing an examination by a third party acting on behalf of a number of state treasurers concerning our compliance with the unclaimed property laws of the participating states. We are cooperating fully with this examination, as well as with a Delaware Market Conduct examination and a Voluntary

Disclosure Agreement process with the state of Minnesota. The legal and regulatory environment around unclaimed death benefits continues to evolve. It is possible that the current examination and/or similar investigations by other state jurisdictions may result in additional payments to beneficiaries, the payment of abandoned funds under state law, and/or administrative penalties, the total of which may be in excess of the reserves established.

In December 2012, State of West Virginia ex rel. John D. Perdue v. Provident Life and Accident Insurance Company and State of West Virginia ex rel. John D. Perdue v. Colonial Life & Accident Insurance Company were filed in the Circuit Court of Putnam County, West Virginia. These two separate complaints alleged violations of the West Virginia Uniform Unclaimed Property Act by failing to identify and report all unclaimed insurance policy proceeds due to be escheated to West Virginia. The complaints sought to examine company records and assess penalties and costs in an undetermined amount. In December 2013, the court

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 10 - Commitments and Contingent Liabilities - Continued

dismissed both complaints, holding that the West Virginia Uniform Unclaimed Property Act does not require insurance companies to periodically search the Social Security Administrations' Death Master File or escheat unclaimed life insurance benefits until a claim has been submitted. In January 2014, the plaintiff appealed the dismissal of both complaints.

In May 2013, a purported class action complaint entitled *Ruben Don v. Unum Life Insurance Company of America, Wedner Insurance Group, Inc. dba The Morton Wedner Insurance Agency, and Does 1-30*, was filed in the Superior Court of California, County of Los Angeles. The plaintiff seeks to represent a class of California insureds who were issued long-term care policies containing an inflation protection feature. The plaintiff alleges we incorrectly administer the inflation protection feature, resulting in an underpayment of benefits. The complaint makes allegations against us for breach of contract, bad faith, fraud, violation of Business and Professions Code 17200, and injunctive relief. In June 2013, we removed the case to the United States District Court for the Central District of California. In March 2014, we filed a motion to dismiss the case. Rather than oppose the motion, plaintiff filed an amended purported class action complaint in April 2014 entitled *Ruben Don v. Unum Group and Unum Life Insurance Company of America* in the United States District Court for the Central District of California. The plaintiff seeks to represent a nationwide class and a California class of insureds who were issued long-term care policies containing an inflation protection feature. Similar to the original complaint, the plaintiff alleges we incorrectly administer the inflation protection feature, resulting in an underpayment of benefits. The complaint makes allegations of breach of contract, bad faith, fraud, violation of Business and Professions Code 17200, and declaratory and injunctive relief. We are in the process of preparing our response to this complaint.

Summary

Various lawsuits against us, in addition to those discussed above, have arisen in the normal course of business. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations.

Given the complexity and scope of our litigation and regulatory matters, it is not possible to predict the ultimate outcome of all pending investigations or legal proceedings or provide reasonable estimates of potential losses, except if noted in connection with specific matters. It is possible that our results of operations or cash flows in a particular period could be materially affected by an ultimate unfavorable outcome of pending litigation or regulatory matters depending, in part, on our results of operations or cash flows for the particular period. We believe, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves and rights to indemnification, should not have a material adverse effect on our financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2014

Note 11 - Debt

At March 31, 2014, short-term debt consisted entirely of securities lending agreements.

We had no amount outstanding on our revolving credit facility at March 31, 2014.

In March 2014, we issued \$350.0 million of unsecured 10-year senior notes in a public offering. The notes have an annual coupon rate of 4.00%.

During the three months ended March 31, 2014, we made principal payments of \$15.0 million on our senior secured non-recourse notes issued by Northwind Holdings, LLC.

In January 2013, we purchased and retired the outstanding principal of \$62.5 million on our senior secured non-recourse notes issued by Tailwind Holdings, LLC, resulting in a before-tax gain of \$4.0 million.

Subsequent to March 31, 2014, we gave notice of our election to redeem on May 15, 2014 a portion of the outstanding principal of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. An aggregate principal amount of \$145.0 million of the 6.85% debt will be redeemed at a redemption price equal to the greater of the principal amount of the debt redeemed or the make-whole amount, plus in each case any accrued and unpaid interest on the principal amount redeemed. In conjunction with this redemption, we will reclassify the applicable portion of the deferred gain on cash flow hedges from accumulated other comprehensive income to earnings. We expect the redemption to have an immaterial impact on our second quarter of 2014 net income.

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

Executive Summary

Unum Group, a Delaware general business corporation, and its insurance and non-insurance subsidiaries, which collectively with Unum Group we refer to as the Company, operate in the United States, the United Kingdom, and, to a limited extent, in certain other countries. The principal operating subsidiaries in the United States are Unum Life Insurance Company of America, Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company, and Colonial Life & Accident Insurance Company, and in the United Kingdom, Unum Limited. We are the largest provider of disability insurance products in the United States and the United Kingdom. We also provide a complementary portfolio of other insurance products, including employer- and employee-paid group benefits, life insurance, and other related services.

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

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

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

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

This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 contained in this Form 10-Q and with the "Cautionary Statement Regarding Forward-Looking Statements" included below the Table of Contents, as well as the discussion, analysis, and consolidated financial statements and notes thereto in Part I, Items 1 and 1A, and Part II, Items 6, 7, 7A, and 8 of our annual report on Form 10-K for the year ended December 31, 2013.

Operating Performance and Capital Management

For the first quarter of 2014, we reported net income of \$228.9 million, or \$0.88 per diluted common share, compared to net income of \$212.6 million, or \$0.79 per diluted common share, in the same period of 2013. After-tax operating income, which excludes net realized investment gains and losses and non-operating retirement-related gains or losses was \$225.7 million, or \$0.87 per diluted common share, in the first quarter of 2014, compared to \$215.6 million, or \$0.80 per diluted common share, in the same period of 2013. Earnings per share were favorably impacted by our capital management strategy of returning capital to shareholders through repurchases of our common stock.

Operating revenue, which excludes net realized investment gains and losses, was slightly lower in the first quarter of 2014 relative to the same period of 2013, with the growth in our premium income offset by declines in both net investment income and other income. Before-tax operating income increased by 4.3 percent in the first quarter of 2014 compared to the same period of 2013, with favorable earnings in all of our segments other than our Corporate segment.

Our Unum US segment reported an increase in operating income of 1.3 percent in the first quarter of 2014 compared to the same period of 2013, with growth in premium income and overall favorable risk results. Premium income increased 1.1 percent in the first quarter of 2014 compared to the same period of 2013. The benefit ratio for our Unum US segment for the first quarter of 2014 was 70.2 percent compared to 70.9 percent in the same period of 2013. Unum US sales increased 7.2 percent in the first quarter of 2014 compared to the same period of 2013. Persistency remains strong and is generally consistent with our expectations.

Our Unum UK segment reported an increase in operating income, as measured in Unum UK's local currency, of 8.9 percent in the first quarter of 2014 compared to the same period of 2013, with slightly favorable net investment income and expenses and generally stable risk results. Premium income in local currency declined 1.3 percent in the first quarter of 2014 relative to the same period of 2013. The benefit ratio for Unum UK was 70.1 percent in the first quarter of 2014 compared to 69.5 percent in the same period of 2013. Unum UK sales in the first quarter of 2014 decreased 1.0 percent, in local currency, compared to the same period of 2013. Persistency is stable, but continues to be low for group life as a result of pursuing rate increases on renewing business.

Our Colonial Life segment reported an increase in operating income of 5.3 percent in the first quarter of 2014 compared to the same period of 2013, with growth in premium income and favorable risk results. Premium income grew 3.0 percent in the first quarter of 2014 compared to the same period of 2013. The benefit ratio for Colonial Life was 50.5 percent in the first quarter of 2014 compared to 52.5 percent in the first quarter of 2013. Colonial Life sales increased 6.5 percent in the first quarter of 2014 compared to the same period of 2013. Persistency in the first quarter of 2014 was generally stable relative to the prior year.

Our Closed Block segment reported an increase in operating income of 6.6 percent in the first quarter of 2014 compared to the same period of 2013, with an increase in net investment income and favorable risk results in our long-term care line of business.

Although investment income continues to be pressured by the low interest rate environment, our invested asset quality remains strong. The net unrealized gain on our fixed maturity securities was \$5.2 billion at March 31, 2014 compared to \$4.1 billion at December 31, 2013, with the increase due primarily to a decline in U.S. Treasury rates during the first three months of 2014.

We believe our capital and financial positions are strong. At March 31, 2014, the risk-based capital (RBC) ratio for our traditional U.S. insurance subsidiaries, calculated on a weighted average basis using the NAIC Company Action Level formula, was approximately 400 percent, compared to 405 percent at December 31, 2013. During the first

quarter of 2014, we repurchased 2.9 million shares of Unum Group common stock at a cost of approximately \$100 million under our share repurchase program. Cash equivalents and marketable securities held at Unum Group and our other intermediate holding companies are a significant source of liquidity for us and were approximately \$822 million at March 31, 2014, relative to \$514 million at December 31, 2013. The increase was due primarily to the issuance of \$350 million of 4.00% senior notes in March 2014.

Consolidated Company Outlook

We believe our disciplined approach to providing financial protection products at the workplace puts us in a position of strength as we seek to capitalize on the growing and largely unfilled need for our products and services. We anticipate the environment for 2014 will be somewhat similar to modestly improving from 2013. While we continue to experience relatively low interest rates and below-average economic growth, we have strategies in place which we believe will help us navigate this environment. We believe the need for our products and services remains strong, and we intend to continue protecting our solid margins and returns through our pricing and risk actions. During 2014, we will continue to invest in our infrastructure and our employees, with a focus on quality and simplification of processes and product offerings. Our strategy will be centered on maintaining a strong customer focus while providing an innovative product portfolio of financial protection choices to deepen employee coverages, broaden employer relationships, and open new markets. We believe that consistent operating results, combined with the implementation of strategic initiatives and the effective deployment of capital, should allow us to meet our long-term financial objectives.

Further discussion is included in "Consolidated Operating Results," "Reconciliation of Non-GAAP Financial Measures," "Segment Results," "Investments," and "Liquidity and Capital Resources" contained in this Item 2 and in the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Critical Accounting Estimates

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

The accounting estimates deemed to be most critical to our financial position and results of operations are those related to reserves for policy and contract benefits, deferred acquisition costs, valuation of investments, pension and postretirement benefit plans, income taxes, and contingent liabilities. There have been no significant changes in our critical accounting estimates during the first three months of 2014.

For additional information, refer to our significant accounting policies in Note 1 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 and "Critical Accounting Estimates" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2013.

Accounting Developments

See Note 2 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for information on new accounting standards and the impact, if any, on our financial position or results of operations.

Consolidated Operating Results
(in millions of dollars)

	Three Months Ended March 31		
	2014	% Change	2013
Revenue			
Premium Income	\$1,938.5	0.4	% \$1,930.9
Net Investment Income	612.5	(1.4)	) 621.1
Net Realized Investment Gain	6.3	(38.8)	) 10.3
Other Income	53.8	(13.9)	) 62.5
Total Revenue	2,611.1	(0.5)	) 2,624.8
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	1,631.3	(1.0)	) 1,648.5
Commissions	236.0	(0.9)	) 238.2
Interest and Debt Expense	37.9	2.2	37.1
Deferral of Acquisition Costs	(129.0)	) 9.1	(118.2)
Amortization of Deferred Acquisition Costs	118.6	(4.2)	) 123.8
Compensation Expense	201.0	1.7	197.6
Other Expenses	188.8	(2.7)	) 194.0
Total Benefits and Expenses	2,284.6	(1.6)	) 2,321.0
Income Before Income Tax	326.5	7.5	303.8
Income Tax	97.6	7.0	91.2
Net Income	\$228.9	7.7	\$212.6

The comparability of our financial results between years is affected by the fluctuation in the British pound sterling to dollar exchange rate. The functional currency of our U.K. operations is the British pound sterling. In periods when the pound weakens, translating pounds into dollars decreases current period results relative to the prior period. In periods when the pound strengthens, translating pounds into dollars increases current period results relative to the prior period. Our weighted average pound/dollar exchange rate was 1.659 and 1.550 for the three months ended March 31, 2014 and 2013, respectively. If the first quarter of 2013 results for our U.K. operations had been translated at the exchange rate of the first quarter of 2014, our operating revenue and operating income by segment in the first quarter of 2013 would have been higher by approximately \$12.4 million and \$2.3 million, respectively. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert pounds into dollars. As a result, we view foreign currency translation as a financial reporting item and not a reflection of operations or profitability in the U.K.

Consolidated premium income for the first quarter of 2014 increased slightly relative to the same period of 2013. Although we experienced premium growth in our Unum US and Colonial Life segments due to increased sales and stable persistency, the level of growth remains below our long-term expectations. We believe premium growth in many of our product lines continues to be unfavorably impacted by the below-average economic growth and the competitive environment. Offsetting the growth in premium income in Unum US and Colonial Life was a slight decline in premium income in local currency for our Unum UK segment due to a reduction in the inforce block during 2013 as a result of the re-pricing of certain of our product lines through premium rate increases. Premium income continued to decline, as expected, in our Closed Block segment. Further discussion of premium income for each of our segments, as well as our outlook for future premium growth, is included in "Segment Results" as follows.

Net investment income was lower in the first quarter of 2014 relative to the same period of 2013 due primarily to a decline in the yield on our invested assets and lower income from bond call premiums and private equity partnership investments. These decreases were partially offset by an increase in the level of invested assets and higher income on our Unum UK inflation index-linked bonds.

We recognized a net realized investment gain of \$6.3 million and \$10.3 million in the first quarter of 2014 and 2013, respectively. Included in these amounts is the change in the fair value of an embedded derivative in a modified coinsurance arrangement, which resulted in a realized gain of \$8.5 million and \$6.4 million in the first quarter of 2014 and 2013, respectively.

The consolidated benefit ratios were 84.2 percent and 85.4 percent in the first quarter of 2014 and 2013, respectively. The underlying risk results in the first quarter of 2014 for each of our principal operating business segments, as well as for the majority of our product lines within those segments, were favorable or consistent with the first quarter of 2013. Further discussion of our line of business risk results for each of our segments is included in "Segment Results" as follows.

Interest and debt expense for the first quarter of 2014 was higher than the same period of 2013 due primarily to the issuance of \$350.0 million of 4.00% senior notes in March 2014.

The deferral of acquisition costs in the first quarter of 2014 was higher than in the first quarter of 2013 due primarily to sales growth in certain of our product lines. The amortization of acquisition costs in the first quarter of 2014 was lower than in the same period of 2013 due to a decline in the level of amortization that results from higher levels of policy terminations relative to assumptions. Further discussion of deferred acquisition costs and amortization by product line for each of our segments is included in "Segment Results" as follows.

Other expenses, including compensation expense, were in aggregate lower in the first quarter of 2014 compared to the same period of 2013 due in part to our continued focus on operating effectiveness and expense management. The amortization of our net actuarial loss is lower in the first quarter of 2014 compared to the first quarter of 2013 due to pension plan amendments adopted in the second and third quarters of 2013. The lower amortization is partially offset by increased contributions to our defined contribution plans as a result of amendments to these plans which became effective January 1, 2014. We do not include the amortization of actuarial gains or losses in the expenses which are allocated to our segments because these costs are primarily driven by market performance and are not indicative of the operational results of our businesses. We do include the contributions to our defined contribution plans in the expenses which are allocated to our segments because these costs are resource driven. As such, our operating income or loss by segment year over year will include a higher level of allocated retirement-related costs.

Reconciliation of Non-GAAP Financial Measures

We analyze our performance using non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures of "operating revenue," "before-tax operating income" or "before-tax operating loss," and "after-tax operating income" differ from total revenue, income before income tax, and net income as presented in our consolidated operating results and in income statements prepared in accordance with GAAP due to the exclusion of net realized investment gains and losses and non-operating retirement-related gains or losses as specified in the reconciliations below. We believe operating revenue and operating income or loss are better performance measures and better indicators of the revenue and profitability and underlying trends in our business. Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains or losses. Although we may experience realized investment gains or losses which will affect future earnings levels, a long-term focus is necessary to maintain profitability over the life of the business since our underlying business is long-term in nature, and we need to earn the interest rates assumed in calculating our liabilities. The amortization of prior period actuarial gains or losses, a component of the net periodic benefit cost for our pensions and other postretirement benefit plans, is driven by market performance as well as plan amendments and is not indicative of the operational results of our businesses. We believe that excluding the amortization of prior period gains or losses from operating income or loss provides investors with additional information for comparison and analysis of our operating results. Although we manage our non-operating retirement-related gains or losses separately from the operational performance of our business, these gains or losses impact the overall profitability of our company and have historically increased or decreased over time, depending on

plan amendments and market conditions and the resulting impact on the actuarial gains or losses in our pensions and other postretirement benefit plans.

We may at other times exclude certain other items from our discussion of financial ratios and metrics in order to enhance the understanding and comparability of our operational performance and the underlying fundamentals, but this exclusion is not an indication that similar items may not recur and does not replace net income or net loss as a measure of our overall profitability.

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

(in millions of dollars)

	Three Months Ended March 31	
	2014	2013
Operating Revenue	\$2,604.8	\$2,614.5
Net Realized Investment Gain	6.3	10.3
Total Revenue	\$2,611.1	\$2,624.8
Before-tax Operating Income	\$321.6	\$308.4
Net Realized Investment Gain	6.3	10.3
Non-operating Retirement-related Loss	(1.4)	(14.9)
Income Before Income Tax	\$326.5	\$303.8

The after-tax impacts of these items are reflected in the following reconciliation of after-tax operating income to net income.

	Three Months Ended March 31			
	2014		2013	
	(in millions)	per share *	(in millions)	per share *
After-tax Operating Income	\$225.7	\$0.87	\$215.6	\$0.80
Net Realized Investment Gain, Net of Tax	4.1	0.01	6.7	0.03
Non-operating Retirement-related Loss, Net of Tax	(0.9)	—	(9.7)	(0.04)
Net Income	\$228.9	\$0.88	\$212.6	\$0.79

* Assuming Dilution

Consolidated Sales Results

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

(in millions)

	Three Months Ended March 31		
	2014	% Change	2013
Unum US	\$211.7	7.2 %	\$197.5
Unum UK	£10.4	(1.0) %	£10.5
Colonial Life	\$72.0	6.5 %	\$67.6

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

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

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

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Segment Results

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Closed Block, and Corporate. Financial information for each of our reporting segments is as follows.

Unum US Segment

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

Unum US Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31			
	2014	% Change	2013	
Operating Revenue				
Premium Income	\$1,152.5	1.1	% \$1,139.7	
Net Investment Income	226.4	(3.9)	) 235.7	
Other Income	30.9	(15.8)	) 36.7	
Total	1,409.8	(0.2)	) 1,412.1	
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	809.5	0.2	807.9	
Commissions	136.5	0.4	135.9	
Deferral of Acquisition Costs	(74.3)	) 16.1	(64.0)	)
Amortization of Deferred Acquisition Costs	70.9	(7.6)	) 76.7	
Other Expenses	256.4	3.6	247.5	
Total	1,199.0	(0.4)	) 1,204.0	
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$210.8	1.3	\$208.1	
Operating Ratios (% of Premium Income):				
Benefit Ratio	70.2	%	70.9	%
Other Expense Ratio	22.2	%	21.7	%
Before-tax Operating Income Ratio	18.3	%	18.3	%

Unum US Group Disability Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31				
	2014	% Change		2013	
Operating Revenue					
Premium Income					
Group Long-term Disability	\$383.5	(2.3	)%	\$392.7	
Group Short-term Disability	137.3	4.8		131.0	
Total Premium Income	520.8	(0.6	)	523.7	
Net Investment Income	132.4	(6.4	)	141.5	
Other Income	21.8	(21.6	)	27.8	
Total	675.0	(2.6	)	693.0	
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	432.5	(2.0	)	441.4	
Commissions	41.4	(5.0	)	43.6	
Deferral of Acquisition Costs	(9.9	)	47.8	(6.7	)
Amortization of Deferred Acquisition Costs	6.5	25.0		5.2	
Other Expenses	136.0	3.3		131.6	
Total	606.5	(1.4	)	615.1	
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$68.5	(12.1	)	\$77.9	
Operating Ratios (% of Premium Income):					
Benefit Ratio	83.0	%		84.3	%
Other Expense Ratio	26.1	%		25.1	%
Before-tax Operating Income Ratio	13.2	%		14.9	%
Persistency:					
Group Long-term Disability	88.9	%		88.9	%
Group Short-term Disability	88.1	%		89.8	%

Premium income declined slightly in the first quarter of 2014 compared to the same period of 2013 due to a decline in group long-term disability as a result of lower sales in 2013, partially offset by growth from premium rate increases and stable persistency. Group short-term disability had growth in premium income due to higher sales. Net investment income declined in the first quarter of 2014 relative to the same period of 2013 due to a decrease in the level of invested assets, a decline in invested asset yields, and lower income from bond call premiums. Other income for 2014 included fees from administrative services products of \$19.0 million compared to \$20.8 million in 2013. Also included in other income for the first quarter of 2013 is a gain of \$4.0 million on the purchase and retirement of the debt issued by Tailwind Holdings, LLC.

Risk results were favorable in the first quarter of 2014 compared to the same period of 2013 due to favorable claim incidence rates and claim recovery experience.

The deferral and amortization of acquisition costs were both higher in the first quarter of 2014 relative to the same period of 2013 due to an increase in deferrable expenses and the continued growth in the level of the deferred asset. The other expense ratio for the first quarter of 2014 increased relative to the same period of 2013 due to a decline in

premium income and an increase in other expenses driven by technology investments and a higher level of allocated retirement-related costs.

Unum US Group Life and Accidental Death and Dismemberment Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31			
	2014	% Change		2013
Operating Revenue				
Premium Income				
Group Life	\$309.9	2.5	%	\$302.2
Accidental Death & Dismemberment	30.6	(1.0)	)	30.9
Total Premium Income	340.5	2.2		333.1
Net Investment Income	35.2	(1.4)	)	35.7
Other Income	0.4	(20.0)	)	0.5
Total	376.1	1.8		369.3
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	239.3	1.7		235.3
Commissions	28.5	0.4		28.4
Deferral of Acquisition Costs	(7.2)	)	26.3	(5.7)
Amortization of Deferred Acquisition Costs	5.3	29.3		4.1
Other Expenses	50.4	2.2		49.3
Total	316.3	1.6		311.4
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$59.8	3.3		\$57.9
Operating Ratios (% of Premium Income):				
Benefit Ratio	70.3	%		70.6
Other Expense Ratio	14.8	%		14.8
Operating Income Ratio	17.6	%		17.4
Persistency:				
Group Life	89.5	%		88.9
Accidental Death & Dismemberment	89.6	%		89.9

Premium income increased in the first quarter of 2014 compared to the same period of 2013 primarily due to growth in the inforce block of business resulting from sales and favorable persistency, as well as premium rate increases. Net investment income was slightly lower in the first quarter of 2014 compared to the same period of 2013 primarily due to a decrease in yield on invested assets, partially offset by an increase in the level of invested assets and higher income from bond call premiums.

Risk results were generally consistent in the first quarter of 2014 compared to the same period of 2013, with lower claim incidence partially offset by a higher average claim size.

The deferral and amortization of acquisition costs were both higher in the first quarter of 2014 relative to the same period of 2013 due to an increase in deferrable expenses and the continued growth in the level of the deferred asset. The other expense ratio in the first quarter of 2014 was generally consistent with the same period of 2013.

Unum US Supplemental and Voluntary Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31			
	2014	% Change		2013
Operating Revenue				
Premium Income				
Individual Disability - Recently Issued	\$ 115.9	(3.5	)%	\$ 120.1
Voluntary Benefits	175.3	7.7		162.8
Total Premium Income	291.2	2.9		282.9
Net Investment Income	58.8	0.5		58.5
Other Income	8.7	3.6		8.4
Total	358.7	2.5		349.8
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	137.7	5.0		131.2
Commissions	66.6	4.2		63.9
Deferral of Acquisition Costs	(57.2	) 10.9		(51.6
Amortization of Deferred Acquisition Costs	59.1	(12.3	)	67.4
Other Expenses	70.0	5.1		66.6
Total	276.2	(0.5	)	277.5
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$ 82.5	14.1		\$ 72.3
Interest Adjusted Loss Ratio:				
Individual Disability - Recently Issued	27.2	%		25.2
				%
Operating Ratios (% of Premium Income):				
Benefit Ratios:				
Individual Disability - Recently Issued	49.0	%		46.2
Voluntary Benefits	46.1	%		46.5
Other Expense Ratio	24.0	%		23.5
Before-tax Operating Income Ratio	28.3	%		25.6
				%
Persistency:				
Individual Disability - Recently Issued	90.6	%		90.6
Voluntary Benefits	78.0	%		77.2
				%

Premium income was higher in the first quarter 2014 compared to the same period of 2013, driven by growth in voluntary benefits resulting from favorable persistency and higher sales. This increase was offset partially by a decrease in the individual disability - recently issued product line due primarily to a reinsurance contract entered into during the second quarter of 2013 to cede a small block of business. Net investment income in the first quarter of 2014 was generally consistent with the level of 2013, with the increase in the level of invested assets mostly offset by a decline in yield.

Risk results for the individual disability - recently issued product line were unfavorable during the first quarter of 2014 compared to the same period of 2013 due primarily to an increase in claim incidence rates and lower claim

recoveries, partially offset by a favorable change in active life reserves resulting from terminations. Risk results for voluntary benefits were generally consistent with the first quarter of 2013.

Commissions and deferral of acquisition costs were higher in the first quarter of 2014 compared to the same period of 2013 due primarily to higher sales in the voluntary benefits product line. The amortization of deferred acquisition costs was lower in the first quarter of 2014 compared to the same period of 2013 due to unfavorable policy terminations in the first quarter of last year relative to assumptions for certain issues years within certain product lines. The other expense ratio in the first quarter of 2014 increased relative to the same period of 2013 due to an increase in other expenses driven by technology investments and a higher level of allocated retirement-related costs.

Sales

(in millions of dollars)

	Three Months Ended March 31		
	2014	% Change	2013
Sales by Product			
Group Disability and Group Life and AD&D			
Group Long-term Disability	\$32.7	5.1	% \$31.1
Group Short-term Disability	19.8	25.3	15.8
Group Life and AD&D	41.3	12.2	36.8
Subtotal	93.8	12.1	83.7
Supplemental and Voluntary			
Individual Disability - Recently Issued	14.6	(3.9)	) 15.2
Voluntary Benefits	103.3	4.8	98.6
Subtotal	117.9	3.6	113.8
Total Sales	\$211.7	7.2	\$197.5
Sales by Market Sector			
Group Disability and Group Life and AD&D			
Core Market (< 2,000 lives)	\$60.0	16.5	% \$51.5
Large Case Market	33.8	5.0	32.2
Subtotal	93.8	12.1	83.7
Supplemental and Voluntary	117.9	3.6	113.8
Total Sales	\$211.7	7.2	\$197.5

Sales in our Unum US group core and large case market segments increased in the first quarter of 2014 compared to the same period of 2013. New account sales increased in both markets, although sales to existing customers decreased in the large case market. The sales mix in our group market sector in the first quarter of 2014 was approximately 64 percent core market and 36 percent large case market, generally consistent with the level of 2013.

Sales of voluntary benefits were higher in the first quarter of 2014 compared to the same period of 2013, driven by an increase in core market sales and a slight increase in large case market sales. Sales in our individual disability - recently issued line of business, which are primarily concentrated in the multi-life market, were slightly lower in the first quarter of 2014 compared to the same period of 2013 due to lower new account sales partially offset by an increase in sales to existing customers.

Segment Outlook

During 2014, we expect to continue to produce profitable returns in a challenging market. We believe we will achieve year-over-year growth in premium income during the remainder of 2014, although premium growth, particularly growth within existing customer accounts, may continue to be pressured during 2014 by the below-average economic growth and the competitive environment. Opportunities for premium growth that are consistent with our long-term objectives are not expected to re-emerge until the economy further improves. Our net investment income may be impacted, either favorably or unfavorably, by fluctuations in bond call premiums and other types of miscellaneous net investment income. The low interest rate environment and the tightening of credit spreads continue to place near-term pressure on our profit margins by impacting net investment income yields and claim reserve discount rates. As a result of the continued low interest rate environment and the aging of insureds, we began initiating price increases for our group disability products during 2012 and will continue with these pricing levels on new and renewal business throughout 2014. We anticipate that the benefit ratio for full year 2014 for our group disability product line will be slightly below the level of 2013, as we place premium rate in the market to mitigate the impact of lower investment

interest rates. Our amortization of deferred acquisition costs may be unfavorably impacted, particularly in our supplemental and voluntary product line, by higher than expected policy terminations. We believe future profit margin improvement is achievable, driven primarily by our continued product mix shift, expense efficiencies, and consistent operating effectiveness.

Certain risks and uncertainties are inherent in the disability insurance business. Components of claims experience, such as incidence and recovery rates, may be worse than we expect. Disability claim incidence and claim recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence. Within the group disability market, pricing and renewal actions can be taken to react to higher claim rates or lower discount rates, but these actions take time to

implement, and there is a risk that the market will not sustain increased prices. In addition, changes in economic and external conditions may not manifest themselves in claims experience for an extended period of time. The current economic conditions may lead to a higher rate of claim incidence, lower levels of claim recoveries, or lower claim discount rates. We have previously taken steps to improve our risk profile, including reducing our exposure to volatile business segments through diversification by market size, product segment, and industry segment. Claim incidence levels may fluctuate due to the normal volatility that occurs in group disability business or may be related to economic conditions. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

We remain confident in our strategy of providing consumers with valuable financial protection benefits, broadening our employer client relationships, and building collaborative partnerships with complementary product manufacturers, technology firms, and distributors. There are significant growth opportunities in each of our markets and within our existing client base, and we continue to invest in the people, processes, and technologies that will allow us to enhance our ability to grow the market over the long term. Underpinning our strategy is our continued commitment to risk management discipline, talent development, and our core values.

Unum UK Segment

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

Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31					
	2014	% Change		2013		
Operating Revenue						
Premium Income						
Group Long-term Disability	\$103.0	5.2	%	\$97.9		
Group Life	34.8	12.3		31.0		
Supplemental	13.9	(6.7	)	14.9		
Total Premium Income	151.7	5.5		143.8		
Net Investment Income	33.6	9.1		30.8		
Other Income	(0.1	)	N.M.	0.1		
Total	185.2	6.0		174.7		
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	106.4	6.4		100.0		
Commissions	9.9	(3.9	)	10.3		
Deferral of Acquisition Costs	(2.2	)	(4.3	)	(2.3	)
Amortization of Deferred Acquisition Costs	3.2	(22.0	)	4.1		
Other Expenses	31.4	0.3		31.3		
Total	148.7	3.7		143.4		
Operating Income	\$36.5	16.6		\$31.3		
Operating Ratios (% of Premium Income):						
Benefit Ratio	70.1	%		69.5	%	
Other Expense Ratio	20.7	%		21.8	%	
Operating Income Ratio	24.1	%		21.8	%	
Persistency:						
Group Long-term Disability	86.3	%		82.2	%	
Group Life	69.7	%		66.7	%	
Supplemental	85.2	%		78.8	%	
N.M. = not a meaningful percentage						

Foreign Currency Translation

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

Fluctuations in the pound to dollar exchange rate have an effect on Unum UK's reported financial results and our consolidated financial results. In periods when the pound strengthens relative to the preceding period, as occurred during the first quarter of 2014 compared to the same period of 2013, translating pounds into dollars increases current period results relative to the prior period.

(in millions of pounds, except ratios)

	Three Months Ended March 31		
	2014	% Change	2013
Operating Revenue			
Premium Income			
Group Long-term Disability	£62.2	(1.4)%	£63.1
Group Life	21.0	5.0	20.0
Supplemental	8.4	(13.4)	9.7
Total Premium Income	91.6	(1.3)	92.8
Net Investment Income	20.3	2.5	19.8
Total	111.9	(0.6)	112.6
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	64.3	(0.3)	64.5
Commissions	6.0	(9.1)	6.6
Deferral of Acquisition Costs	(1.3)	(13.3)	(1.5)
Amortization of Deferred Acquisition Costs	1.9	(29.6)	2.7
Other Expenses	19.0	(5.5)	20.1
Total	89.9	(2.7)	92.4
Operating Income	£22.0	8.9	£20.2
Weighted Average Pound/Dollar Exchange Rate	1.659		1.550

Premium income was lower in the first quarter of 2014 compared to the same period of 2013 due primarily to policy terminations during 2013 that resulted from the initiation of premium rate increases in our group long-term disability and group life product lines, partially offset by premium rate increases placed in existing accounts. Group life premium income is higher than the prior year first quarter due also to an increased retention level, effective January 1, 2014, in our reinsurance program for our group life products that provide lump sum benefits.

Net investment income increased in the first quarter of 2014 compared to the same period of 2013 due primarily to higher income from inflation index-linked bonds which we invest in to support the claim reserves associated with certain of our group policies that provide for inflation-linked increases in benefits. This increase was partially offset by declines in invested asset yields, income from bond calls, and the level of invested assets.

Group long-term disability risk results were unfavorable in the first quarter of 2014 compared to the same period of 2013 due primarily to a higher claim incidence rate. Group life risk results were favorable in the first quarter of 2014 compared to the same period of 2013 due primarily to lower mortality rates on the retained business. Supplemental risk results were slightly unfavorable in the first quarter of 2014 compared to the same period of 2013 due to a higher claim incidence rate for the individual critical illness product line.

Commissions and deferral of acquisition costs were lower in the first quarter of 2014 compared to the same period of 2013 due to a lower level of costs attributable to sales activity. The amortization of deferred acquisition costs was lower in the first quarter of 2014 compared to the prior year first quarter due to a decrease in the level of the deferred asset. The other expense ratio was lower in the first quarter of 2014 compared to the same period of 2013 due primarily to continued expense management initiatives.

Sales

Shown below are sales results in dollars and in pounds for the Unum UK segment.

(in millions)

	Three Months Ended March 31		
	2014	% Change	2013
Sales by Product			
Group Long-term Disability	\$12.3	12.8	% \$10.9
Group Life	4.0	(11.1)	) 4.5
Supplemental	1.0	—	1.0
Total Sales	\$17.3	5.5	\$16.4

Sales by Market Sector

Group Long-term Disability and Group Life			
Core Market (< 500 lives)	\$7.6	(10.6)	)% \$8.5
Large Case Market	8.7	26.1	6.9
Subtotal	16.3	5.8	15.4
Supplemental	1.0	—	1.0
Total Sales	\$17.3	5.5	\$16.4

Sales by Product

Group Long-term Disability	£7.4	5.7	% £7.0
Group Life	2.4	(17.2)	) 2.9
Supplemental	0.6	—	0.6
Total Sales	£10.4	(1.0)	) £10.5

Sales by Market Sector

Group Long-term Disability and Group Life			
Core Market (< 500 lives)	£4.5	(18.2)	)% £5.5
Large Case Market	5.3	20.5	4.4
Subtotal	9.8	(1.0)	) 9.9
Supplemental	0.6	—	0.6
Total Sales	£10.4	(1.0)	) £10.5

Sales for group long-term disability during the first quarter of 2014 were higher than in the same period of 2013, with higher new account sales and an increase in sales in the large case market. These increases were partially offset by lower sales to existing customers and lower core market sales. Group life sales were lower in the first quarter of 2014 compared to the same period of 2013 as a result of lower new account sales and a decrease in large case market sales, partially offset by an increase in sales to existing customers. Supplemental sales were consistent during the first quarter of 2014 compared to the same period of 2013 in both our individual disability and critical illness product lines.

Segment Outlook

Our primary focus during 2014 is to build key capabilities to enable us to deliver future growth. Our shift in business mix and focus on premium rate increases for both group long-term disability and group life is expected to continue to improve our profitability. However, pressure on new sales and persistency may continue, and the low interest rate environment is expected to dampen overall earnings growth. We expect that the challenging economic and competitive pricing environment in the U.K., which has continued to negatively impact Unum UK's premium growth, may continue in the near term. The current economic conditions may lead to a higher rate of claim incidence, lower levels of claim recoveries, or lower claim discount rates. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

In our group life business, our near-term actions regarding rate increases, reinsurance, and the discontinuance of certain product lines have reduced volatility. We will continue to implement rate increases in 2014, and we believe profit margins will continue to improve. Although group life premium income may decline as a result of these actions and a shift in business mix, during 2013 the increase to premium income from rate increases largely offset the impact of policy terminations, and we believe this trend may continue in 2014 but to a lesser extent.

In our group long-term disability business, we remain committed to driving growth in the U.K. market, although we continue to have a cautious outlook for growth given the current environment. We anticipate returning to more normal levels of premium growth as our rate increases continue to be placed in the market and as we continue to increase sales to new and existing customers. We have seen some positive results in terms of new to market sales and increased coverage in existing cases. In addition, we continue to focus on new market opportunities by raising awareness of the need for income protection. Expanding group long-term disability market penetration remains a significant opportunity and priority in the U.K.

Colonial Life Segment

The Colonial Life segment includes insurance for accident, sickness, and disability products, life products, and cancer and critical illness products issued primarily by Colonial Life & Accident Insurance Company and marketed to employees at the workplace through an independent contractor agency sales force and brokers.

Operating Results

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

(in millions of dollars, except ratios)

	Three Months Ended March 31				
	2014	% Change		2013	
Operating Revenue					
Premium Income					
Accident, Sickness, and Disability	\$189.1	2.3	%	\$184.8	
Life	57.4	4.7		54.8	
Cancer and Critical Illness	69.9	3.6		67.5	
Total Premium Income	316.4	3.0		307.1	
Net Investment Income	36.9	(7.1	)	39.7	
Other Income	(0.1	)	(100.0	)	—
Total	353.2	1.8		346.8	
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	159.8	(0.9	)	161.3	
Commissions	63.5	(0.8	)	64.0	
Deferral of Acquisition Costs	(52.5	)	1.2	(51.9	)
Amortization of Deferred Acquisition Costs	44.5	3.5		43.0	
Other Expenses	58.5	6.4		55.0	
Total	273.8	0.9		271.4	
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$79.4	5.3		\$75.4	
Operating Ratios (% of Premium Income):					
Benefit Ratio	50.5	%		52.5	%
Other Expense Ratio	18.5	%		17.9	%
Before-tax Operating Income Ratio	25.1	%		24.6	%
Persistency:					
Accident, Sickness, and Disability	74.7	%		75.8	%
Life	84.8	%		85.5	%
Cancer and Critical Illness	82.4	%		84.1	%

Premium income increased in the first quarter of 2014 relative to the same period of 2013 from continued growth in the inforce block of business due to sales and generally stable persistency. Net investment income was lower in the first quarter of 2014 compared to the same period of 2013 as a result of a decrease in income from bond calls and private equity partnership investments, partially offset by an increase in the level of invested assets.

Favorable risk results in the first quarter of 2014 as compared to the same period of 2013 resulted from improved claim experience in both the cancer and critical illness product line and in the life product line. The first quarter of 2014 was also favorably impacted by the release of active life reserves on terminations of older cases in the accident,

sickness, and disability and cancer and critical illness product lines.

The deferral of acquisition costs was higher in the first quarter of 2014 compared to the same period of 2013 due to sales growth. The amortization of deferred acquisition costs was higher in the first quarter of 2014 compared to same period of 2013 due to continued growth in the level of the deferred asset. The other expense ratio was higher in the first quarter of 2014 compared to the same period of 2013 due primarily to a higher level of allocated retirement-related costs.

Sales
(in millions of dollars)

	Three Months Ended March 31		
	2014	% Change	2013
Sales by Product			
Accident, Sickness, and Disability	\$46.7	6.4	% \$43.9
Life	14.2	5.2	13.5
Cancer and Critical Illness	11.1	8.8	10.2
Total Sales	\$72.0	6.5	\$67.6
Sales by Market Sector			
Commercial			
Core Market (< 1,000 lives)	\$51.7	1.8	% \$50.8
Large Case Market	9.7	70.2	5.7
Total Commercial Sales	61.4	8.7	56.5
Public Sector	10.6	(4.5)	) 11.1
Total Sales	\$72.0	6.5	\$67.6

The growth in sales for the first quarter of 2014 relative to the same period of 2013 occurred from growth in both new and existing account sales. Commercial market sales increased in the first quarter of 2014 compared to the same period of 2013, driven by an increase in sales in our large case market, which we define as accounts with greater than 1,000 lives. Total public sector market sales declined in the first quarter of 2014 compared to the first quarter of 2013. The number of new accounts decreased 4.9 percent in the first quarter of 2014 compared to the same period of 2013, although the average new case size increased 9.0 percent.

Segment Outlook

We believe proper execution of our growth strategy and a gradual improvement in the economy will deliver sales and premium growth that are in line with long-term expectations. However, in the near term, current economic conditions may continue to affect employment growth and buying conditions which, in turn, may impact sales and premium growth. We see the continuing U.S. economic conditions and the increasing competition in the voluntary market as external risks to achievement of our business plans. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

We expect our sales momentum to continue to improve during 2014 relative to the growth rate for 2013, further contributing to premium growth. Volatility in net investment income is likely to continue during 2014 as a result of fluctuations in bond calls and other types of miscellaneous net investment income. Regarding risk results, we expect our annual benefit ratio for 2014 to be generally consistent with the level of 2013, excluding the fourth quarter of 2013 reserve increase for unclaimed death benefits, and we believe our strong profit margins will continue.

We believe our success will be driven primarily by execution in the core commercial and public sector segments and through expansion of the overall market as well as further geographic expansion of our market within the United States. The market environment continues to shift at a rapid pace, and we believe our products, capabilities, and service offerings will enable us to succeed in this marketplace. We intend to continue to focus on operational excellence through a strong continuous improvement culture, risk management practices, focus on talent development, and cross-business collaboration.

Closed Block Segment

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

Operating Results

Shown below are financial results and key performance indicators for the Closed Block segment.
(in millions of dollars, except ratios)

	Three Months Ended March 31			
	2014	% Change	2013	
Operating Revenue				
Premium Income				
Individual Disability	\$ 161.1	(11.4)%	\$ 181.8	
Long-term Care	156.5	(1.4)	158.8	
All Other	0.3	N.M.	(0.3)	
Total Premium Income	317.9	(6.6)	340.3	
Net Investment Income	316.3	1.0	313.1	
Other Income	21.6	(10.4)	24.1	
Total	655.8	(3.2)	677.5	
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	555.6	(4.1)	579.3	
Commissions	26.1	(6.8)	28.0	
Interest and Debt Expense	1.9	(13.6)	2.2	
Other Expenses	43.1	5.9	40.7	
Total	626.7	(3.6)	650.2	
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	\$ 29.1	6.6	\$ 27.3	
Interest Adjusted Loss Ratios:				
Individual Disability	81.5	%	81.5	%
Long-term Care	84.7	%	89.5	%
Operating Ratios (% of Premium Income):				
Other Expense Ratio	13.6	%	12.0	%
Before-tax Operating Income (Loss) Ratio	9.2	%	8.0	%
Persistency:				
Individual Disability	91.4	%	92.5	%
Long-term Care	95.3	%	95.5	%

N.M. = not a meaningful percentage

Total premium income decreased in the first quarter of 2014 compared to the same period of 2013 due to expected policy terminations and maturities. Premium decreases resulting from persistency trends in the long-term care line of business were partially offset by the favorable impact of premium rate increases on certain policies. We continue to file requests with various state insurance departments for premium rate increases on certain of our individual and group long-term care policies. The rate increases reflect current interest rates and claim experience, higher expected future claims, persistency, and other factors related to pricing long-term care coverage. In states for which a rate increase is submitted and approved, customers are also given options for coverage changes or other approaches that might fit their current financial and insurance needs.

Net investment income was slightly higher in the first quarter of 2014 compared to the same period of 2013 due to higher asset levels, partially offset by a decrease in the yield on invested assets. Other income, which includes the underlying results of certain blocks of reinsured business and the net investment income of portfolios held by those ceding companies to support the block we have reinsured, was lower in the first quarter of 2014 compared to the same period of 2013 primarily due to a decrease in tax-related reimbursements between us and the ceding insurer as well as lower investment income in the portfolios held by the ceding companies.

Individual disability overall risk results for the first quarter of 2014 were consistent with the same period of 2013. Long-term care risk results were favorable in the first quarter of 2014 compared to the same period of 2013 due to lower claim incidence rates as well as favorable development in active life reserves resulting in part from terminations and changes in coverage for existing policyholders.

Interest and debt expense in the first quarter of 2014 was lower than in the same period of 2013 due to principal repayments on the outstanding debt issued by Northwind Holdings, LLC (Northwind Holdings) and a decrease in the floating rate of interest.

The other expense ratio was higher in the first quarter of 2014 compared to the same period of 2013 due to decreasing premium income and an increase in expenses attributable to our long-term care product line.

Segment Outlook

During 2014, we intend to continue our focus on operational effectiveness, rate increases, and capital management. We expect operating revenue to decline over time as these closed blocks of business wind down, although we anticipate additional premium income associated with long-term care rate increases. We also expect a small amount of group long-term care certificates may continue to be issued where we are required to do so under the terms of existing group policies. We will likely experience volatility in net investment income due to the volatility of bond call premiums relative to historical levels. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

Profitability of our long-tailed products is affected by claims experience related to mortality and morbidity, investment returns, and persistency. We believe that the interest adjusted loss ratios for the individual disability and long-term care lines of business will be relatively flat over the long term, but these product lines may experience quarterly volatility, particularly in the near term for our long-term care product lines as our claim block matures. Claim resolution rates, which measure the resolution of claims from recovery, deaths, settlements, and benefit expirations, are very sensitive to operational and external factors and can be volatile. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period. It is possible that variability in any of our reserve assumptions, including, but not limited to, interest rates, mortality, morbidity, and persistency, could result in a material impact on our reserve levels, including adjustments to reserves previously established under loss recognition.

Corporate Segment

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

Operating Results

(in millions of dollars)

	Three Months Ended March 31		
	2014	% Change	2013
Operating Revenue			
Net Investment Income	\$(0.7)	(138.9)%	\$1.8
Other Income	1.5	(6.3)	1.6
Total	0.8	(76.5)	3.4
Interest and Other Expenses	35.0	(5.7)	37.1
Operating Loss	\$(34.2)	(1.5)	\$(33.7)

Net investment income was lower in the first quarter of 2014 compared to the same period of 2013 due to a decrease in the yield on invested assets and lower income from bond calls, partially offset by higher asset levels. The negative impact on net investment income and operating income attributable to tax credit partnerships is offset by a lower income tax rate due to the tax benefits recognized as a result of these investments.

Interest and other expenses were lower in the first quarter of 2014 compared to the same period of 2013 due primarily to a higher level of retirement-related costs allocated to our other segments, partially offset by an increase in interest expense on debt.

Segment Outlook

We expect the quality of our investment portfolio to remain strong. The impact on net investment income attributable to tax credit partnerships is likely to continue to negatively impact net investment income for our Corporate segment throughout 2014. However, this is offset by a lower income tax rate due to the tax benefits recognized as a result of these investments. We are currently holding capital at our insurance subsidiaries and holding companies at levels that exceed our long-term requirements, and we expect to generate excess capital on an annual basis through our statutory earnings. While we intend to maintain our disciplined approach to risk management, we believe we are well positioned with substantial flexibility to preserve our capital strength and at the same time explore opportunities to deploy the excess capital that is generated.

Investments Overview

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

We actively manage our asset and liability cash flow match and our asset and liability duration match to limit interest rate risk. We may redistribute investments among our different lines of business, when necessary, to adjust the cash flow and/or duration of the asset portfolios to better match the cash flow and duration of the liability portfolios. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. Cash flows from the in-force asset and liability portfolios are projected at current interest rate levels and also at levels reflecting an increase and a decrease in interest rates to obtain a range of projected cash flows under the different interest rate scenarios. These results enable us to assess the impact of projected changes in cash flows and duration resulting from potential changes in interest rates. Testing the asset and liability portfolios under various interest rate scenarios enables us to choose what we believe to be the most appropriate investment strategy, as well as to limit the risk of disadvantageous outcomes. We use this analysis in determining hedging strategies and utilizing derivative financial instruments for managing interest rate risk and the risk related to matching duration for our assets and liabilities. We do not use derivative financial instruments for speculative purposes.

The duration weighted book yield on the fixed income securities in our investment portfolio was 6.25 percent as of March 31, 2014, compared to a yield of 6.28 percent as of December 31, 2013. Duration is a measure of the percentage change in the fair values of assets and liabilities for a given change in interest rates. As previously noted, cash flows from the in-force asset and liability portfolios are projected at varying interest rate levels to obtain a range of projected cash flows under different interest rate scenarios. To assess the impact of a duration mismatch which may occur under the different interest rate scenarios, we measure the potential changes in estimated fair value based on a hypothetical change in interest rates to quantify a dollar value change. Although we test the asset and liability portfolios under various interest rate scenarios as part of our modeling, the majority of our liabilities related to insurance contracts are not interest rate sensitive, and we therefore have minimal exposure to policy withdrawal risk. Our determination of investment strategy relies more on long-term measures such as reserve adequacy analysis and the relationship between the portfolio yields supporting our various product lines and the aggregate discount rate assumptions embedded in the reserves.

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

Fixed Maturity Securities

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

Fixed Maturity Securities - By Industry Classification

As of March 31, 2014

(in millions of dollars)

Classification	Fair Value	Net Unrealized Gain	Fair Value of Fixed Maturity Securities with Gross Unrealized Loss	Gross Unrealized Loss	Fair Value of Fixed Maturity Securities with Gross Unrealized Gain	Gross Unrealized Gain
Basic Industry	\$2,788.2	\$237.6	\$358.2	\$22.7	\$2,430.0	\$260.3
Capital Goods	3,756.7	430.7	255.3	6.6	3,501.4	437.3
Communications	2,890.3	414.0	236.2	7.4	2,654.1	421.4
Consumer Cyclical	1,267.9	146.3	8.8	0.1	1,259.1	146.4
Consumer Non-Cyclical	5,779.3	672.3	602.0	28.0	5,177.3	700.3
Energy (Oil & Gas)	3,772.9	549.3	249.7	10.4	3,523.2	559.7
Financial Institutions	3,389.8	323.7	129.4	2.0	3,260.4	325.7
Mortgage/Asset-Backed	2,286.7	184.2	263.8	2.6	2,022.9	186.8
Sovereigns	1,371.0	165.3	34.8	1.0	1,336.2	166.3
Technology	964.6	70.9	230.9	7.5	733.7	78.4
Transportation	1,474.4	192.7	95.2	3.3	1,379.2	196.0
U.S. Government Agencies and Municipalities	3,083.5	392.1	257.2	20.2	2,826.3	412.3
Public Utilities	10,803.1	1,366.3	677.2	28.0	10,125.9	1,394.3
Redeemable Preferred Stocks	38.4	5.4	—	—	38.4	5.4
Total	\$43,666.8	\$5,150.8	\$3,398.7	\$139.8	\$40,268.1	\$5,290.6

Our gross unrealized loss on fixed maturity securities, which for investment-grade securities was \$113.5 million and for below-investment-grade securities was \$26.3 million at March 31, 2014, relates primarily to changes in interest rates or changes in market or sector credit spreads that occurred subsequent to the acquisition of the securities. The magnitude of the loss, as well as the length of time in a loss position, was generally consistent throughout 2013 and during the first quarter of 2014. We held no fixed maturity securities at March 31, 2014 with a gross unrealized loss of \$10.0 million or greater.

We had no individual realized investment losses of \$10.0 million or greater from other-than-temporary impairments or the sale of fixed-maturity securities during the first quarter of 2014 or 2013.

At March 31, 2014, we had minimal exposure to investments for which the payment of interest and principal is guaranteed under a financial guaranty insurance policy, and all such securities are rated investment-grade absent the guaranty insurance policy. At March 31, 2014, we held \$204.8 million fair value (\$186.0 million amortized cost) of perpetual debentures, or "hybrid" securities, that generally have no fixed maturity date. Interest on these securities due on any payment date may be deferred by the issuer. The interest payments are generally deferrable only to the extent that the issuer has suspended dividends or other distributions or payments to any of its shareholders or any other

perpetual debt instrument.

At March 31, 2014, our mortgage/asset-backed securities had an average life of 5.32 years, effective duration of 4.38 years, and a weighted average credit rating of Aaa. The mortgage/asset-backed securities are valued on a monthly basis using valuations supplied by the brokerage firms that are dealers in these securities as well as independent pricing services. One of the risks involved in investing in mortgage/asset-backed securities is the uncertainty of the timing of cash flows from the underlying loans due to prepayment of principal with the possibility of reinvesting the funds in a lower interest rate environment. We use models which incorporate economic variables and possible future interest rate scenarios to predict future prepayment rates. The timing of prepayment cash flows may also cause volatility in our recognition of investment income. We recognize investment income on these securities using a constant effective yield based on projected prepayments of the underlying loans and the estimated economic life of the securities. Actual prepayment experience is reviewed periodically, and effective yields are recalculated

when differences arise between prepayments originally projected and the actual prepayments received and currently projected. The effective yield is recalculated on a retrospective basis, and the adjustment is reflected in net investment income.

We have no exposure to subprime mortgages, "Alt-A" loans, or collateralized debt obligations in our investment portfolios. We have not invested in mortgage-backed derivatives, such as interest-only, principal-only, or residuals, where market values can be highly volatile relative to changes in interest rates. The credit quality of our mortgage-backed securities portfolio has not been negatively impacted by the issues in the market concerning subprime mortgage loans. The change in value of our mortgage-backed securities portfolio has moved in line with that of prime agency-backed mortgage-backed securities.

As of March 31, 2014, the amortized cost and fair value of our below-investment-grade fixed maturity securities was \$3,134.9 million and \$3,294.5 million, respectively. Below-investment-grade securities are inherently more risky than investment-grade securities since the risk of default by the issuer, by definition and as exhibited by bond rating, is higher. Also, the secondary market for certain below-investment-grade issues can be highly illiquid. Additional downgrades may occur, but we do not anticipate any liquidity problems resulting from our investments in below-investment-grade securities, nor do we expect these investments to adversely affect our ability to hold our other investments to maturity.

Our investments in issuers in foreign countries are chosen for specific portfolio management purposes, including asset and liability management and portfolio diversification across geographic lines and sectors to minimize non-market risks. In our approach to investing in fixed maturity securities, specific investments within approved countries and industry sectors are evaluated for their market position and specific strengths and potential weaknesses. For each security, we consider the political, legal, and financial environment of the sovereign entity in which an issuer is domiciled and operates. The country of domicile is based on consideration of the issuer's headquarters, in addition to location of the assets and the country in which the majority of sales and earnings are derived. We do not have exposure to foreign currency risk, as the cash flows from these investments are either denominated in currencies or hedged into currencies to match the related liabilities. We continually evaluate our foreign investment risk exposure. Our monitoring is heightened for investments in certain countries due to our concerns over the current economic and political environments as well as the banking crisis, and we believe these investments are more vulnerable to potential credit problems. At March 31, 2014, we had minimal exposure in those countries.

Mortgage Loans

Our mortgage loan portfolio was \$1,843.3 million and \$1,815.1 million on an amortized cost basis at March 31, 2014 and December 31, 2013, respectively. Our mortgage loan portfolio is comprised entirely of commercial mortgage loans. We believe our mortgage loan portfolio is well diversified geographically and among property types. The incidence of problem mortgage loans and foreclosure activity continues to be low. Due to conservative underwriting, we expect the level of problem loans to remain low relative to the industry.

We held two mortgage loans at March 31, 2014 that were considered impaired and were carried at the estimated net realizable value of \$31.2 million, net of a valuation allowance of \$4.5 million. We held one mortgage loan at December 31, 2013 that was considered impaired and was carried at the estimated net realizable value of \$13.1 million, net of a valuation allowance of \$1.5 million.

Derivative Financial Instruments

We use derivative financial instruments primarily to manage reinvestment, duration, foreign currency, and credit risks. Historically, we have utilized current and forward interest rate swaps and options on forward interest rate swaps and U.S. Treasury rates, current and forward currency swaps, forward treasury locks, currency forward contracts, forward

contracts on specific fixed income securities, and credit default swaps. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held, was \$0.2 million at March 31, 2014. We held \$2.8 million of cash collateral from our counterparties at March 31, 2014. The carrying value of fixed maturity securities posted as collateral to our counterparties was \$80.4 million at March 31, 2014. We had no cash collateral posted to our counterparties at March 31, 2014. We believe that our credit risk is mitigated by our use of multiple counterparties, all of which have a median credit rating of A3 or better, and by our use of cross-collateralization agreements.

Other

Our exposure to non-current investments, defined as foreclosed real estate and invested assets which are delinquent as to interest and/or principal payments, totaled \$39.9 million on a fair value basis at March 31, 2014 and December 31, 2013.

For further information see "Investments" in Part I, Item 1 and "Critical Accounting Estimates" and "Investments" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2013 and Notes 4 and 5 of the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Liquidity and Capital Resources

Overview

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

We have established an investment strategy that we believe will provide for adequate cash flows from operations. We attempt to match our asset cash flows and durations with expected liability cash flows and durations to meet the funding requirements of our business. However, deterioration in the credit market may delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner and adversely impact the price we receive for such securities, which may negatively impact our cash flows. Furthermore, if we experience defaults on securities held in the investment portfolios of our insurance subsidiaries, this will negatively impact statutory capital, which could reduce our insurance subsidiaries' capacity to pay dividends to our holding companies. A reduction in dividends to our holding companies could force us to seek external financing to avoid impairing our ability to pay dividends to our stockholders or meet our debt and other payment obligations. As requirements of Dodd-Frank continue to take effect in 2014 and in subsequent years, to the extent that we enter into derivatives that are subject to centralized exchanges and cleared through a regulated clearinghouse, we may be subject to stricter collateral requirements which could have an adverse effect on our overall liquidity.

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

Cash equivalents and marketable securities held at Unum Group and our other intermediate holding companies are a significant source of liquidity for us and were approximately \$822 million and \$514 million at March 31, 2014 and December 31, 2013, respectively. The net increase was due primarily to the issuance of debt less the cost of common stock repurchases during the quarter. The March 31, 2014 balance, of which approximately \$291 million was held in certain of our foreign subsidiaries in the U.K., was comprised primarily of commercial paper, fixed maturity securities with a current average maturity of 1.9 years, and various money-market funds. No significant restrictions exist on our ability to use or access these funds. We currently have no intent, nor do we foresee a need, to repatriate funds from our foreign subsidiaries in the U.K. We believe we hold domestic resources sufficient to fund our liquidity requirements for the next 12 months. If we repatriate additional funds from our subsidiaries in the U.K., the amounts repatriated would be subject to repatriation tax effects which generally equal the difference in the U.S. tax rate and the U.K. tax rate.

As part of our capital deployment strategy, we have in recent years repurchased shares of Unum Group's common stock, as authorized by our board of directors. Our current share repurchase program was approved by our board of directors in December 2013 and authorizes the repurchase of up to \$750 million of common stock through June 2015, with the pace of repurchase activity to depend upon various factors such as the level of available cash, alternative uses for cash, and our stock price. The dollar value of shares remaining under the current repurchase program was approximately \$630 million at March 31, 2014. During the first three months of 2014, we repurchased 2.9 million shares at a cost of approximately \$100 million.

Cash Available from Subsidiaries

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

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

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

Unum Group and/or certain of its intermediate holding company subsidiaries may also receive dividends from our U.K. subsidiaries, the payment of which may be subject to applicable insurance company regulations and capital guidance in the U.K.

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

The ability of Unum Group and certain of its intermediate holding company subsidiaries to continue to receive dividends from their insurance subsidiaries also depends on additional factors such as RBC ratios and capital adequacy and/or solvency requirements, funding growth objectives at an affiliate level, and maintaining appropriate capital adequacy ratios to support desired ratings. During 2014, we intend to retain a level of capital in our U.S. and U.K. insurance subsidiaries above the applicable capital adequacy requirements and minimum solvency margins.

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

Funding for Employee Benefit Plans

We made contributions during the first quarter of 2014 of approximately \$21.2 million and £0.7 million to our U.S. and U.K. defined contribution plans, respectively, and expect to make additional contributions of approximately \$44.6 million and £2.0 million during the remainder of 2014. We contribute to our U.K. defined benefit pension plan sufficient to meet the minimum funding requirement under U.K. legislation. We made required contributions of £0.7 million during the first quarter of 2014, and we expect to make additional contributions of approximately £0.7 million during the remainder of 2014. We do not expect to make contributions to our U.S. qualified defined benefit pension plan during 2014.

We have met all minimum pension funding requirements set forth by the Employee Retirement Income Security Act. We have estimated our future funding requirements under the Pension Protection Act of 2006 and under applicable U.K. law, and do not believe that any future funding requirements will cause a material adverse effect on our liquidity.

Debt

At March 31, 2014, we had short-term debt of \$61.6 million, consisting entirely of securities lending agreements, and long-term debt of \$2,948.2 million, consisting primarily of senior secured notes and junior subordinated debt securities.

In March 2014, we issued \$350.0 million of unsecured senior notes in a public offering. These notes, due 2024, bear interest at a fixed rate of 4.00% and are payable semi-annually. The notes are callable at or above par and rank equally in right of payment with all of our other unsecured and unsubordinated debt.

Northwind Holdings made principal payments on its floating rate, senior secured notes of \$15.0 million in the first quarter of 2014.

In April 2014, we gave notice of our election to redeem on May 15, 2014 a portion of the outstanding principal of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. An aggregate principal amount of \$145.0 million of the 6.85% debt will be redeemed at a redemption price equal to the greater of the principal amount of the debt redeemed or the make-whole amount, plus in each case any accrued and unpaid interest on the principal amount redeemed.

There are no significant financial covenants associated with any of our outstanding debt obligations. We continually monitor our compliance with our debt covenants and remain in compliance. We have not observed any current trends that would cause a breach of any debt covenants. See Note 11 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 and "Debt" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2013 for further discussion.

Commitments

At March 31, 2014, we had legally binding unfunded commitments of \$17.9 million and \$4.3 million to fund tax credit partnership investments and transferable state tax credits, respectively. These amounts are recognized as liabilities in our consolidated balance sheets, with a corresponding recognition of other long-term investments and other assets. In addition, we had non-binding commitments of \$60.0 million to fund certain investments in private placement fixed maturity securities, \$144.7 million to fund certain private equity partnerships, and \$21.7 million to fund certain commercial mortgage loans. These amounts may or may not be funded.

With respect to our commitments and off-balance sheet arrangements, see the discussion under "Commitments" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2013. During the first three months of 2014, there were no substantive changes in our commitments, contractual obligations, or other off-balance sheet arrangements other than the changes in outstanding long-term and short-term debt as noted herein.

Transfers of Financial Assets

We account for all of our securities lending agreements and repurchase agreements as collateralized financings. We had \$61.6 million of securities lending agreements outstanding which were collateralized by cash at March 31, 2014 and were reported as short-term debt in our consolidated balance sheets. The cash received as collateral was reinvested in short-term investments. The average balance during the first three months of 2014 was \$74.3 million, and the maximum amount outstanding at any month end was \$94.0 million. In addition, at March 31, 2014, we had \$132.5 million of off-balance sheet securities lending agreements which were collateralized by securities that we were neither permitted to sell nor control. The average balance of these off-balance sheet transactions during the first three months of 2014 was \$110.7 million, and the maximum amount outstanding at any month end was \$132.5 million.

We had no repurchase agreements outstanding at March 31, 2014, nor did we utilize any repurchase agreements during the first three months of 2014. Our use of repurchase agreements and securities lending agreements can fluctuate during any given period and will depend on our liquidity position, the availability of long-term investments that meet our purchasing criteria, and our general business needs.

Consolidated Cash Flows

Operating Cash Flows

Net cash provided by operating activities was \$346.7 million for the first quarter of 2014, compared to \$265.1 million in the same period of 2013. Operating cash flows are primarily attributable to the receipt of premium and investment income, offset by payments of claims, commissions, expenses, and income taxes. Premium income growth is dependent not only on new sales, but on renewals and growth of existing business, renewal price increases, and persistency. Investment income growth is dependent on the growth in the underlying assets supporting our insurance reserves and capital and on the earned yield. The level of commissions and operating expenses is attributable to the level of sales and the first year acquisition expenses associated with new business as well as the maintenance of existing business. The level of paid claims is affected partially by the growth and aging of the block of business and also by the general economy, as previously discussed in the operating results by segment.

Investing Cash Flows

Investing cash inflows consist primarily of the proceeds from the sales and maturities of investments. Investing cash outflows consist primarily of payments for purchases of investments. Net cash used by investing activities was \$540.6 million for the first quarter of 2014, compared to net cash provided by investing activities of \$184.1 million in the same period of 2013. Our investment strategy is to match the cash flows and durations of our assets with the cash flows and durations of our liabilities to meet the funding requirements of our business. When market opportunities arise we may sell selected securities and reinvest the proceeds to improve the yield and credit quality of our portfolio. We may at times also sell selected securities and reinvest the proceeds to improve the duration matching of our assets and liabilities and/or re-balance our portfolio. As a result, sales before maturity may vary from period to period. The sale and purchase of short-term investments is influenced by our securities lending program and by the amount of cash which is at times held in short-term investments to facilitate the availability of cash to fund the purchase of appropriate long-term investments and/or to fund our capital deployment program.

See Notes 4 and 5 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information.

Financing Cash Flows

Financing cash flows consist primarily of borrowings and repayments of debt, issuance or repurchase of common stock, and dividends paid to stockholders. Net cash provided by financing activities was \$176.0 million for the first quarter of 2014, compared to net cash used by financing activities of \$424.5 million in the same period of 2013.

During the first quarter of 2014, we issued \$350.0 million of 4.00% unsecured 10-year senior notes in a public offering and received proceeds of \$347.2 million, excluding the associated debt issuance costs and discounts.

During each of the first quarters of 2014 and 2013, we made principal payments of \$15.0 million on our senior secured non-recourse notes issued by Northwind Holdings. During the first quarter of 2013, we purchased and retired the outstanding principal of \$62.5 million on our floating rate, senior secured non-recourse notes issued by Tailwind Holdings for \$56.2 million.

The balance outstanding under our securities lending program decreased by \$14.9 million and \$219.5 million in the first quarter of 2014 and 2013, respectively.

Cash used to repurchase shares of Unum Group's common stock during the first quarter of 2014 and 2013 was \$100.5 million and \$99.0 million, respectively. During the first quarter of 2014 and 2013, we paid dividends of \$38.3 million and \$35.7 million, respectively, to holders of Unum Group's common stock.

See "Debt" contained in this Item 2 for further information.

Ratings

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

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

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

Issuer Credit Ratings	AM Best bbb (Good)	Fitch BBB (Good)	Moody's Baa2 (Adequate)	S&P BBB (Adequate)
Financial Strength Ratings				
Provident Life and Accident	A (Excellent)	A (Strong)	A2 (Good)	A (Strong)
Provident Life and Casualty	A (Excellent)	A (Strong)	Not Rated	Not Rated
Unum Life of America	A (Excellent)	A (Strong)	A2 (Good)	A (Strong)
First Unum Life	A (Excellent)	A (Strong)	A2 (Good)	A (Strong)
Colonial Life & Accident	A (Excellent)	A (Strong)	A2 (Good)	A (Strong)
Paul Revere Life	A (Excellent)	A (Strong)	A2 (Good)	A (Strong)
Paul Revere Variable	B++ (Good)	A (Strong)	A2 (Good)	Not Rated
Unum Limited	Not Rated	Not Rated	Not Rated	A- (Strong)

We maintain an ongoing dialogue with the four rating agencies that evaluate us in order to inform them of progress we are making regarding our strategic objectives and financial plans as well as other pertinent issues. A significant component of our communications involves our annual review meeting with each of the four agencies. We hold other meetings throughout the year regarding our business, including, but not limited to, quarterly updates. Each of the four rating agencies has assigned an outlook of "stable" for all ratings. There have been no changes in any of the rating agencies' outlook statements or ratings during 2014 prior to the date of this filing.

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

See our annual report on Form 10-K for the year ended December 31, 2013 for further information regarding our debt and financial strength ratings and the risks associated with rating changes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to various market risk exposures including interest rate risk and foreign exchange rate risk. With respect to our exposure to market risk, see the discussion under "Investments" in Item 2 of this Form 10-Q and in Part II, Item 7A of our annual report on Form 10-K for the year ended December 31, 2013. During the first three months of 2014, there was no substantive change to our market risk or the management of this risk.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report. We evaluated those controls based on the 1992 Integrated Internal Control Framework from the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective as of March 31, 2014.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Part I, Item 1, Note 10 of the "Notes to Consolidated Financial Statements" for information on legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2013.

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

The following table provides information about our share repurchase activity for the first quarter of 2014:

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share (1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Program (2)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
January 1 - January 31, 2014	—	\$—	—	\$729,967,795
February 1 - February 28, 2014	1,690,085	33.50	1,690,085	673,347,856
March 1 - March 31, 2014	1,228,574	35.37	1,228,574	629,887,537
Total	2,918,659		2,918,659	

(1) The average price paid per share excludes the cost of commissions.

(2) In December 2013, our board of directors authorized the repurchase of up to \$750 million of Unum Group's common stock through June 12, 2015.

ITEM 6. EXHIBITS

Index to Exhibits

Exhibit 4.1	Form of 4.000% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on March 14, 2014).
Exhibit 10.1	Form of Restricted Stock Unit Agreement with Employee for awards in 2014 under the Unum Group Stock Incentive Plan of 2012.
Exhibit 10.2	Form of Cash-Settled Restricted Stock Unit Agreement with Employee for awards in 2014 under the Unum Group Stock Incentive Plan of 2012.
Exhibit 10.3	Form of Performance Share Unit Agreement with Employee for awards in 2014 under the Unum Group Stock Incentive Plan of 2012.
Exhibit 10.4	Consulting Agreement between Unum Group and Kevin P. McCarthy dated as of March 31, 2014.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following financial statements from Unum Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 8, 2014, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

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

Unum Group
(Registrant)

Date: May 8, 2014

By: /s/ Thomas R. Watjen
Thomas R. Watjen
President and Chief Executive Officer

Date: May 8, 2014

By: /s/ Richard P. McKenney
Richard P. McKenney
Executive Vice President and Chief Financial Officer