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Unum Group
Form 10-Q
October 27, 2016

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-11294

Unum Group
(Exact name of registrant as specified in its charter)

Delaware 62-1598430
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1 FOUNTAIN SQUARE
CHATTANOOGA, TENNESSEE 37402
(Address of principal executive offices) (Zip Code)

423.294.1011
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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

232,119,111 shares of the registrant's common stock were outstanding as of October 25, 2016.

TABLE OF CONTENTS

	Page
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	<u>1</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited):</u>	<u>3</u>
<u>Consolidated Balance Sheets at September 30, 2016 and December 31, 2015</u>	<u>3</u>
<u>Consolidated Statements of Income for the three and nine months ended September 30, 2016 and 2015</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015</u>	<u>6</u>
<u>Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2016 and 2015</u>	<u>7</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>51</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>83</u>
<u>Item 4. Controls and Procedures</u>	<u>84</u>
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>85</u>
<u>Item 1A. Risk Factors</u>	<u>85</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>85</u>
<u>Item 6. Exhibits</u>	<u>86</u>
<u>Signatures</u>	<u>87</u>



Cautionary Statement Regarding Forward-Looking Statements

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

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

• Sustained periods of low interest rates.

• Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of our claims operational processes, and changes in government programs.

• Unfavorable economic or business conditions, both domestic and foreign.

• Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.

• Investment results, including, but not limited to, changes in interest rates, defaults, changes in credit spreads, impairments, and the lack of appropriate investments in the market which can be acquired to match our liabilities.

• A cyber attack or other security breach could result in the unauthorized acquisition of confidential data.

• The failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event.

• Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.

• Execution risk related to our technology needs.

• Changes in our financial strength and credit ratings.

• Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.

• Actual experience that deviates from our assumptions used in pricing, underwriting, and reserving.

• Actual persistency and/or sales growth that is higher or lower than projected.

• Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, consumer confidence, and/or legislative and regulatory changes, including healthcare reform.

• Effectiveness of our risk management program.

• Contingencies and the level and results of litigation.

• Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.

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

• Changes in accounting standards, practices, or policies.

• Fluctuation in foreign currency exchange rates.

• Ability to generate sufficient internal liquidity and/or obtain external financing.

• Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.

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

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

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Unum Group and Subsidiaries

	September 30 2016	December 31 2015
	(in millions of dollars)	
	As Adjusted	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: \$39,625.1; \$39,658.7)	\$46,315.5	\$43,354.4
Mortgage Loans	1,970.4	1,883.6
Policy Loans	3,432.8	3,395.4
Other Long-term Investments	634.3	583.0
Short-term Investments	755.6	807.3
Total Investments	53,108.6	50,023.7
Other Assets		
Cash and Bank Deposits	87.9	112.9
Accounts and Premiums Receivable	1,625.9	1,598.4
Reinsurance Recoverable	4,845.6	4,725.1
Accrued Investment Income	694.4	702.8
Deferred Acquisition Costs	2,048.4	2,008.5
Goodwill	336.8	230.9
Property and Equipment	509.7	523.9
Other Assets	647.8	637.4
Total Assets	\$63,905.1	\$60,563.6

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED) - Continued

Unum Group and Subsidiaries

	September 30 2016	December 31 2015
	(in millions of dollars)	
		As Adjusted
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	\$1,483.5	\$1,484.6
Reserves for Future Policy and Contract Benefits	45,745.1	43,540.6
Unearned Premiums	427.8	384.2
Other Policyholders' Funds	1,619.6	1,674.6
Income Tax Payable	—	6.0
Deferred Income Tax	358.5	91.8
Short-term Debt	—	352.0
Long-term Debt	3,019.8	2,449.4
Payables for Collateral on Investments	440.1	415.4
Other Liabilities	1,449.5	1,501.1
Total Liabilities	54,543.9	51,899.7
Commitments and Contingent Liabilities - Note 10		
Stockholders' Equity		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 303,330,937 and 302,702,811 shares	30.3	30.3
Additional Paid-in Capital	2,263.0	2,247.2
Accumulated Other Comprehensive Income	450.7	16.1
Retained Earnings	8,542.4	7,995.2
Treasury Stock - at cost: 71,235,465 and 61,785,466 shares	(1,925.2)	(1,624.9)
Total Stockholders' Equity	9,361.2	8,663.9
Total Liabilities and Stockholders' Equity	\$63,905.1	\$60,563.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended		Nine Months Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
	(in millions of dollars, except share data)			
Revenue				
Premium Income	\$2,089.4	\$2,020.8	\$6,258.5	\$6,044.6
Net Investment Income	611.4	612.1	1,841.1	1,844.8
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	(9.4)	(30.5)	(22.0)
Net Realized Investment Gain (Loss), Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	11.0	(17.2)	26.3	(19.1)
Net Realized Investment Gain (Loss)	11.0	(26.6)	(4.2)	(41.1)
Other Income	51.5	51.5	154.6	160.6
Total Revenue	2,763.3	2,657.8	8,250.0	8,008.9
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,742.6	1,690.9	5,205.9	5,047.6
Commissions	256.8	246.3	771.7	747.8
Interest and Debt Expense	45.2	38.1	126.2	113.9
Deferral of Acquisition Costs	(147.8)	(139.4)	(447.0)	(425.1)
Amortization of Deferred Acquisition Costs	118.8	117.0	377.2	375.4
Compensation Expense	210.1	205.9	620.6	624.0
Other Expenses	205.5	200.1	618.9	603.6
Total Benefits and Expenses	2,431.2	2,358.9	7,273.5	7,087.2
Income Before Income Tax	332.1	298.9	976.5	921.7
Income Tax				
Current	84.0	95.1	242.7	241.6
Deferred	12.1	—	50.4	39.1
Total Income Tax	96.1	95.1	293.1	280.7
Net Income	\$236.0	\$203.8	\$683.4	\$641.0
Net Income Per Common Share				
Basic	\$1.01	\$0.83	\$2.89	\$2.58
Assuming Dilution	\$1.01	\$0.83	\$2.88	\$2.57

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30 2016		Nine Months Ended September 30 2015	
	2016	2015	2016	2015
Net Income	\$236.0	\$203.8	\$683.4	\$641.0
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of \$113.9; \$(89.6); \$1,008.1; \$(561.7))	277.2	(168.5)	1,999.2	(1,085.4)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of \$(51.7); \$113.9; \$(707.0); \$500.8)	(135.1)	215.0	(1,400.3)	953.7
Change in Net Gain on Cash Flow Hedges (net of tax expense (benefit) of \$(4.3); \$4.7; \$(22.3); \$7.5)	(8.4)	13.4	(42.8)	14.1
Change in Foreign Currency Translation Adjustment (net of tax benefit of \$-; \$-; \$-; \$0.1)	(25.8)	(44.1)	(131.6)	(33.2)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of \$1.7; \$1.4; \$5.3; \$3.3)	3.0	2.8	10.1	6.4
Total Other Comprehensive Income (Loss)	110.9	18.6	434.6	(144.4)
Comprehensive Income	\$346.9	\$222.4	\$1,118.0	\$496.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

Nine Months Ended
September 30
2016 2015
(in millions of
dollars)

Common Stock		
Balance at Beginning of Year and End of Period	\$30.3	\$30.2
Additional Paid-in Capital		
Balance at Beginning of Year	2,247.2	2,221.2
Common Stock Activity	15.8	18.0
Balance at End of Period	2,263.0	2,239.2
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	16.1	166.4
Other Comprehensive Income (Loss)	434.6	(144.4)
Balance at End of Period	450.7	22.0
Retained Earnings		
Balance at Beginning of Year	7,995.2	7,302.3
Net Income	683.4	641.0
Dividends to Stockholders (per common share: \$0.570; \$0.515)	(136.2)	(129.2)
Balance at End of Period	8,542.4	7,814.1
Treasury Stock		
Balance at Beginning of Year	(1,624.9)	(1,198.2)
Purchases of Treasury Stock	(300.3)	(326.2)
Balance at End of Period	(1,925.2)	(1,524.4)
Total Stockholders' Equity at End of Period	\$9,361.2	\$8,581.1

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2016	2015
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	\$683.4	\$641.0
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(65.7)	(4.6)
Change in Deferred Acquisition Costs	(69.8)	(49.7)
Change in Insurance Reserves and Liabilities	274.1	233.9
Change in Income Taxes	(0.8)	164.0
Change in Other Accrued Liabilities	(37.6)	5.7
Non-cash Components of Net Investment Income	(135.0)	(139.4)
Net Realized Investment Loss	4.2	41.1
Depreciation	75.9	74.0
Other, Net	26.2	33.4
Net Cash Provided by Operating Activities	754.9	999.4
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	726.6	605.1
Proceeds from Maturities of Fixed Maturity Securities	1,504.1	1,718.8
Proceeds from Sales and Maturities of Other Investments	257.7	243.4
Purchases of Fixed Maturity Securities	(2,452.3)	(3,269.5)
Purchases of Other Investments	(431.4)	(343.1)
Net Sales of Short-term Investments	38.6	381.5
Net Increase in Payables for Collateral on Investments	24.7	336.6
Acquisition of Business, Net of Cash Acquired	(128.5)	(54.3)
Net Purchases of Property and Equipment	(60.1)	(73.3)
Net Cash Used by Investing Activities	(520.6)	(454.8)
Cash Flows from Financing Activities		
Issuance of Long-term Debt	609.1	—
Long-term Debt Repayments	(399.0)	(62.6)
Issuance of Common Stock	3.6	3.0
Repurchase of Common Stock	(309.1)	(326.2)
Dividends Paid to Stockholders	(136.2)	(129.2)
Other, Net	(27.7)	(22.8)
Net Cash Used by Financing Activities	(259.3)	(537.8)
Net Increase (Decrease) in Cash and Bank Deposits	(25.0)	6.8
Cash and Bank Deposits at Beginning of Year	112.9	102.5

Cash and Bank Deposits at End of Period	\$87.9	\$109.3
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See notes to consolidated financial statements.

8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unum Group and Subsidiaries

September 30, 2016

Note 1 - Basis of Presentation

The accompanying consolidated financial statements of Unum Group and its subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2015.

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

Note 2 - Accounting Developments

Accounting Updates Adopted in 2016:

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

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

Consolidated Balance Sheets

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

9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	This update changes the disclosure requirements for certain insurance contracts. These changes include a requirement to disclose the rollforward of the liability for unpaid claims and claim adjustment expenses in both interim and annual reporting periods for long-duration and short-duration insurance contracts. Additional claims disclosures will also be required for short-duration contracts. The guidance is to be applied retrospectively.	January 1, 2016 for annual reporting period disclosures and January 1, 2017 for interim reporting period disclosures.	The disclosure requirements for annual reporting period 2016 are not applicable to our insurance contracts. We will adopt the interim reporting period disclosures effective January 1, 2017. The adoption of this update will have no effect on our financial position or results of operations.
ASC 718 "Compensation - Stock Compensation"	This update changes the accounting and disclosure requirements for certain aspects of share-based payments to employees. The update requires all income tax effects of stock-based compensation awards to be recognized in the income statement when the awards vest or are settled. The update also allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. Transition guidance for the amendments varies between the retrospective, modified retrospective, and prospective methods depending on the specific requirement of the update. Early adoption is also permitted.	January 1, 2017	The adoption of this update will not have a material effect on our financial position or results of operations. During periods in which the vesting date fair value differs materially from the grant date fair value of certain stock-based compensation awards, we may experience volatility in the income tax recognized in our results of operations.
ASC 230 "Statement of Cash Flows"	This update provides clarifying guidance intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update addresses eight specific cash flow issues that relate to various transactions. The guidance is to be applied retrospectively, with early adoption permitted.	January 1, 2018	The adoption of this update will result in reclassifications to certain cash receipts and payments within our consolidated statements of cash flows but will have no effect on our financial position or results of operations.
ASC 606 "Revenue from Contracts with"	This update supersedes virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the	January 1, 2018	The adoption of this update will not have a material effect on our financial position or

Customers"

scope of this update are insurance contracts, although our fee-based service products are included within the scope. The core principle of this guidance is that revenue recognition should depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance is to be applied retrospectively.

results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 825 "Financial Instruments - Overall"	This update changes the accounting and disclosure requirements for certain financial instruments. These changes include a requirement to measure equity investments, other than those that result in consolidation or are accounted for under the equity method, at fair value through net income unless the investment qualifies for certain practicability exceptions. In addition, the update clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale fixed maturity securities. Changes also include the modification of certain disclosures around the fair value of financial instruments, including the requirement for separate presentation of financial assets and liabilities by measurement category, as well as the elimination of certain disclosures around methods and significant assumptions used to estimate fair value. The guidance is to be applied retrospectively.	January 1, 2018	We have not yet determined the expected impact on our financial position or results of operations.
ASC 842 "Leases"	This update changes the accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of lease payments, and a corresponding asset, adjusted for certain items, is also recorded. Expense recognition for lessees will remain similar to current accounting requirements for capital and operating leases. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period presented.	January 1, 2019	We have not yet determined the expected impact on our financial position or results of operations.
ASC 326 "Financial Instruments - Credit Losses"	This update amends the guidance on the impairment of financial instruments. The update adds an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modifies the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognized as an allowance rather than as a reduction in the amortized cost of the security. The reversal of previously recognized credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures will also be required, including information used to develop the allowance for losses. The guidance is to be applied to most instruments in scope using	January 1, 2020	We have not yet determined the expected impact on our financial position or results of operations.

a modified retrospective approach at the beginning of the earliest comparative period presented. For available-for-sale fixed maturity securities, the update is applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments

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

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in millions of dollars)				
Assets				
Fixed Maturity Securities	\$46,315.5	\$46,315.5	\$43,354.4	\$43,354.4
Mortgage Loans	1,970.4	2,137.6	1,883.6	2,013.9
Policy Loans	3,432.8	3,556.7	3,395.4	3,498.0
Other Long-term Investments				
Derivatives	37.1	37.1	49.8	49.8
Equity Securities	1.2	1.2	1.4	1.4
Miscellaneous Long-term Investments	540.3	540.3	474.4	474.4
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	\$602.7	\$602.7	\$608.8	\$608.8
Supplementary Contracts without Life Contingencies	603.7	603.7	641.1	641.1
Short-term Debt	—	—	352.0	366.2
Long-term Debt	3,019.8	3,319.8	2,449.4	2,645.9
Payables for Collateral on Investments				
Federal Home Loan Bank (FHLB) Funding Agreements	349.5	349.5	350.0	350.0
Other Liabilities				
Derivatives	55.7	55.7	50.2	50.2
Embedded Derivative in Modified Coinsurance Arrangement	73.3	73.3	87.6	87.6
Unfunded Commitments to Investment Partnerships	5.4	5.4	5.0	5.0

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

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

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

Policy Loans: Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal \$3,178.8 million and \$3,150.1 million as of September 30, 2016 and December 31, 2015, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in

interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Fair values for private equity partnerships are primarily derived from net asset values provided by the general partner in the partnerships' financial statements. Our private equity partnerships represent funds that are primarily invested in railcar leasing, the financial services industry, mezzanine debt, and bank loans. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. As of September 30, 2016, we estimate that the underlying assets of the funds will be liquidated over the next one

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

to eleven years. These financial instruments are assigned a Level 3 within the fair value hierarchy. Our shares of FHLB common stock are carried at cost, which approximates fair value. These financial instruments are considered restricted investments and are assigned a Level 2 within the fair value hierarchy.

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

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

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

Long-term Debt: Fair values for long-term debt are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. Debt instruments which are valued by pricing services using active trades for which there was current market activity in that specific debt instrument have fair values of \$1,610.7 million and \$956.4 million as of September 30, 2016 and December 31, 2015, respectively, and are assigned a Level 1 within the fair value hierarchy. Debt instruments which are valued by pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques have fair values of \$1,709.1 million and \$1,689.5 million as of September 30, 2016 and December 31, 2015, respectively, and are assigned a Level 2.

FHLB Funding Agreements: Funding agreements with the FHLB represent cash advances used for the purpose of investing in fixed maturity securities. Carrying amounts approximate fair value and are assigned a Level 2 within the fair value hierarchy.

Unfunded Commitments to Investment Partnerships: Unfunded equity commitments represent amounts that we have committed to fund certain investment partnerships. These commitments are legally binding, subject to the partnerships meeting specified conditions. Carrying amounts approximate fair value and are assigned a Level 2 within the fair value hierarchy.

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, derivative financial instruments, and unrestricted equity securities at fair value in our consolidated balance sheets. The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. An active market for a financial instrument is a market in which transactions for an asset or a similar asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair

value and should be used to measure fair value whenever available. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach valuation technique provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2016, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2015.

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

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
United States Government and Government Agencies and Authorities		
Valuation Techniques	Principally the market approach	Not applicable
Key Inputs	Prices obtained from external pricing services	

States, Municipalities, and Political Subdivisions

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

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Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
Non-binding broker quotes	Discount for size - illiquidity
Benchmark yields	Non-binding broker quotes
Transactional data for new issuances and secondary trades	Lack of marketability
Security cash flows and structures	Security and issuer level spreads
Recent issuance / supply	Volatility of credit
Security and issuer level spreads	
Security creditor ratings/maturity/capital structure/optionality	
Public covenants	
Comparative bond analysis	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
	Relevant reports issued by analysts and rating agencies Audited financial statements	
Redeemable Preferred Stocks		
Valuation Techniques	Principally the market approach	Principally the market approach
Key Inputs	Non-binding broker quotes Benchmark yields Comparative bond analysis Call provisions Relevant reports issued by analysts and rating agencies Audited financial statements	Non-binding broker quotes
Equity Securities		
Valuation Techniques	Principally the market approach	Principally the market and income approaches
Key Inputs	Prices obtained from external pricing services Non-binding broker quotes	Financial statement analysis Non-binding broker quotes

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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 September 30, 2016, approximately 19.8 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 80.2 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

Approximately 66.0 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Approximately 3.3 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, if validated by observable market data, or on TRACE prices for identical or similar assets absent current market activity. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.

Approximately 10.9 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

	September 30, 2016			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
(in millions of dollars)				
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$285.5	\$ 1,166.7	\$	—\$1,452.2
States, Municipalities, and Political Subdivisions	—	2,204.6	92.1	2,296.7
Foreign Governments	—	981.7	—	981.7
Public Utilities	632.5	7,385.8	404.3	8,422.6
Mortgage/Asset-Backed Securities	—	2,386.2	—	2,386.2
All Other Corporate Bonds	8,234.9	21,521.3	972.9	30,729.1
Redeemable Preferred Stocks	—	23.5	23.5	47.0
Total Fixed Maturity Securities	9,152.9	35,669.8	1,492.8	46,315.5
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	3.2	—	3.2
Foreign Exchange Contracts	—	33.9	—	33.9
Total Derivatives	—	37.1	—	37.1
Equity Securities	—	—	1.2	1.2
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	\$—	\$ 6.1	\$	—\$6.1
Foreign Exchange Contracts	—	49.2	—	49.2
Credit Default Swaps	—	0.4	—	0.4
Embedded Derivative in Modified Coinsurance Arrangement	—	—	73.3	73.3
Total Derivatives	—	55.7	73.3	129.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended September 30			
	2016		2015	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$—	\$ 418.1	\$—	\$ —
States, Municipalities, and Political Subdivisions	—	79.0	—	—
Public Utilities	316.7	487.5	157.2	231.8
All Other Corporate Bonds	2,618.6	3,461.3	2,128.2	2,933.6
Total Fixed Maturity Securities	\$2,935.3	\$ 4,445.9	\$2,285.4	\$ 3,165.4
	Nine Months Ended September 30			
	2016		2015	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$25.0	\$ —	\$219.7	\$ —
Public Utilities	469.5	29.3	306.1	57.0
All Other Corporate Bonds	4,688.2	957.0	3,665.3	1,156.9
Total Fixed Maturity Securities	\$5,182.7	\$ 986.3	\$4,191.1	\$ 1,213.9

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

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended September 30, 2016							
	Total Realized and Unrealized Investment Gains (Losses) Included in							
	Beginning of Period	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	\$61.6	\$ —	\$ 0.1	\$ —	\$ —	\$30.4	\$—	\$92.1
Public Utilities	453.5	—	(3.2)	—	(0.3)	62.1	(107.8)	404.3
All Other Corporate Bonds	1,359.6	0.8	8.0	—	(24.0)	326.2	(697.7)	972.9
Redeemable Preferred Stocks	23.6	—	(0.1)	—	—	—	—	23.5
Total Fixed Maturity Securities	1,898.3	0.8	4.8	—	(24.3)	418.7	(805.5)	1,492.8
Equity Securities	1.2	—	—	—	—	—	—	1.2
Embedded Derivative in Modified Coinsurance Arrangement	(83.0)	9.7	—	—	—	—	—	(73.3)

	Three Months Ended September 30, 2015							
	Total Realized and Unrealized Investment Gains (Losses) Included in							
	Beginning of Period	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	\$136.7	\$ —	\$ (2.4)	\$ —	\$ —	\$—	\$(7.7)	\$126.6
Foreign Governments	69.8	—	(1.5)	—	—	—	—	68.3
Public Utilities	357.8	—	1.3	40.0	—	9.0	(88.6)	319.5
All Other Corporate Bonds	1,321.9	—	(13.9)	—	(61.9)	225.1	(456.1)	1,015.1
Redeemable Preferred Stocks	24.8	—	—	—	—	—	—	24.8
Total Fixed Maturity Securities	1,911.0	—	(16.5)	40.0	(61.9)	234.1	(552.4)	1,554.3
Equity Securities	1.4	—	0.1	—	—	—	—	1.5
	(55.8)	(27.3)	—	—	—	—	—	(83.1)

Embedded Derivative in Modified Coinsurance
Arrangement

21

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

Nine Months Ended September 30, 2016

	Total Realized and Unrealized Investment Gains (Losses) Included in						
	Beginning of Year	Other Earnings	Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers In/Out of	End of Period

(in millions of dollars)

Fixed Maturity Securities							
States, Municipalities, and Political Subdivisions	\$122.2	\$ —	\$ 4.2	\$ —	\$(0.3)	\$(34.0)	\$92.1
Foreign Governments	52.9	—	—	—	—	(52.9)	—
Public Utilities	274.1	—	3.9	—	(0.7)	276.9	404.3
All Other Corporate Bonds	1,408.2	1.4	52.7	20.0	(61.8)	384.9	972.9
Redeemable Preferred Stocks	23.8	—	(0.3)	—	—	—	23.5
Total Fixed Maturity Securities	1,881.2	1.4	60.5	20.0	(62.8)	658.8	1,492.8
Equity Securities	1.4	—	0.1	—	(0.3)	—	1.2
Embedded Derivative in Modified Coinsurance Arrangement	(87.6)	14.3	—	—	—	—	(73.3)

Nine Months Ended September 30, 2015

	Total Realized and Unrealized Investment Gains (Losses) Included in						
	Beginning of Year	Other Earnings	Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers In/Out of	End of Period

(in millions of dollars)

Fixed Maturity Securities							
States, Municipalities, and Political Subdivisions	\$140.1	\$ —	\$ (4.7)	\$ —	\$(0.8)	\$(8.0)	\$126.6
Foreign Governments	69.3	—	(1.0)	—	—	—	68.3
Public Utilities	315.0	—	(2.9)	40.0	(2.3)	70.1	319.5
All Other Corporate Bonds	1,425.3	2.1	(35.8)	25.0	(142.2)	307.5	1,015.1
Redeemable Preferred Stocks	24.9	—	(0.1)	—	—	—	24.8
Total Fixed Maturity Securities	1,974.6	2.1	(44.5)	65.0	(145.3)	377.6	1,554.3
Equity Securities	1.4	—	0.1	—	—	—	1.5
Embedded Derivative in Modified Coinsurance Arrangement	(49.9)	(33.2)	—	—	—	—	(83.1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses only for the time during which the applicable financial instruments were classified as Level 3. The transfers between levels resulted primarily from a change in observability of three inputs used to determine fair values of the securities transferred: (1) transactional data for new issuance and secondary trades, (2) broker/dealer quotes and pricing, primarily related to changes in the level of activity in the market and whether the market was considered orderly, and (3) comparable bond metrics from which to perform an analysis. For fair value measurements of financial instruments that were transferred either into or out of Level 3, we reflect the transfers using the fair value at the beginning of the period. We believe this allows for greater transparency, as all changes in fair value that arise during the reporting period of the transfer are disclosed as a component of our Level 3 reconciliation. Gains (losses) which are included in earnings and are attributable to the change in fair value of assets or liabilities valued using significant unobservable inputs and still held at period end were \$9.7 million and \$14.3 million for the three and nine months ended September 30, 2016, respectively, and \$(27.3) million and \$(33.2) million for the three and nine months ended September 30, 2015. These amounts relate entirely to the change in fair value of an embedded derivative in a modified coinsurance arrangement and are reported as a component of realized investment gains and losses.

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

	September 30, 2016		
	Fair Value	Unobservable Input	Range/Weighted Average
	(in millions of dollars)		
Fixed Maturity Securities			
		Comparability Adjustment	(b) 0.50% - 0.50% / 0.50%
		Discount for Size	(c) 0.50% - 0.50% / 0.50%
All Other Corporate Bonds - Private	\$ 143.4	Volatility of Credit	(e) 0.25% - 6.72% / 0.97%
		Market Convention	(f) Priced at Par
Equity Securities - Private	1.1	Market Convention	(f) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(73.3)	Projected Liability Cash Flows	(g) Actuarial Assumptions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 3 - Fair Values of Financial Instruments - Continued

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 4 - Investments

Fixed Maturity Securities

At September 30, 2016 and December 31, 2015, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows:

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$1,194.7	\$ 257.5	\$ —	\$1,452.2
States, Municipalities, and Political Subdivisions	1,832.5	464.4	0.2	2,296.7
Foreign Governments	749.0	232.7	—	981.7
Public Utilities	6,904.0	1,519.9	1.3	8,422.6
Mortgage/Asset-Backed Securities	2,178.8	207.7	0.3	2,386.2
All Other Corporate Bonds	26,722.1	4,088.8	81.8	30,729.1
Redeemable Preferred Stocks	44.0	3.5	0.5	47.0
Total Fixed Maturity Securities	\$39,625.1	\$ 6,774.5	\$ 84.1	\$46,315.5
	December 31, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$1,265.8	\$ 207.3	\$ 7.9	\$1,465.2
States, Municipalities, and Political Subdivisions	1,828.3	293.4	4.6	2,117.1
Foreign Governments	897.2	154.4	—	1,051.6
Public Utilities	6,979.3	1,057.4	16.3	8,020.4
Mortgage/Asset-Backed Securities	2,318.6	167.6	4.7	2,481.5
All Other Corporate Bonds	26,325.5	2,454.1	608.2	28,171.4
Redeemable Preferred Stocks	44.0	3.8	0.6	47.2
Total Fixed Maturity Securities	\$39,658.7	\$ 4,338.0	\$ 642.3	\$43,354.4

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

	September 30, 2016			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
States, Municipalities, and Political Subdivisions	\$21.1	\$ 0.2	\$1.0	\$ —
Public Utilities	64.5	1.0	16.9	0.3
Mortgage/Asset-Backed Securities	9.3	0.2	0.9	0.1
All Other Corporate Bonds	311.5	8.0	932.3	73.8

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Redeemable Preferred Stocks	12.7	0.3	10.8	0.2
Total Fixed Maturity Securities	\$419.1	\$ 9.7	\$961.9	\$ 74.4

25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 4 - Investments - Continued

	December 31, 2015			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$213.5	\$ 7.9	\$—	\$ —
States, Municipalities, and Political Subdivisions	112.3	4.3	3.3	0.3
Public Utilities	408.4	14.4	10.3	1.9
Mortgage/Asset-Backed Securities	504.3	4.6	9.0	0.1
All Other Corporate Bonds	6,155.0	464.2	554.7	144.0
Redeemable Preferred Stocks	10.4	0.6	—	—
Total Fixed Maturity Securities	\$7,403.9	\$ 496.0	\$577.3	\$ 146.3

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

	September 30, 2016				
	Total Amortized Cost	Unrealized Gain	Gain Position Fair Value	Unrealized Loss	Loss Position Fair Value
	(in millions of dollars)				
1 year or less	\$1,313.5	\$ 26.9	\$ 1,333.6	\$ 0.1	\$ 6.7
Over 1 year through 5 years	6,304.0	634.1	6,693.0	13.3	231.8
Over 5 years through 10 years	11,073.3	1,269.9	11,663.0	44.6	635.6
Over 10 years	18,755.5	4,635.9	22,868.9	25.8	496.7
	37,446.3	6,566.8	42,558.5	83.8	1,370.8
Mortgage/Asset-Backed Securities	2,178.8	207.7	2,376.0	0.3	10.2
Total Fixed Maturity Securities	\$39,625.1	\$ 6,774.5	\$ 44,934.5	\$ 84.1	\$ 1,381.0
	December 31, 2015				
	Total Amortized Cost	Unrealized Gain	Gain Position Fair Value	Unrealized Loss	Loss Position Fair Value
	(in millions of dollars)				
1 year or less	\$1,112.2	\$ 20.6	\$ 1,098.8	\$ 0.2	\$ 33.8
Over 1 year through 5 years	6,514.0	554.4	6,649.5	49.8	369.1
Over 5 years through 10 years	10,519.3	746.3	7,124.4	320.5	3,820.7
Over 10 years	19,194.6	2,849.1	18,532.3	267.1	3,244.3
	37,340.1	4,170.4	33,405.0	637.6	7,467.9
Mortgage/Asset-Backed Securities	2,318.6	167.6	1,968.2	4.7	513.3
Total Fixed Maturity Securities	\$39,658.7	\$ 4,338.0	\$ 35,373.2	\$ 642.3	\$ 7,981.2

At September 30, 2016, the fair value of investment-grade fixed maturity securities was \$42,704.1 million, with a gross unrealized gain of \$6,608.9 million and a gross unrealized loss of \$15.7 million. The gross unrealized loss on

investment-grade fixed maturity securities was 18.7 percent of the total gross unrealized loss on fixed maturity securities. Unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2016

Note 4 - Investments - Continued

At September 30, 2016, the fair value of below-investment-grade fixed maturity securities was \$3,611.4 million, with a gross unrealized gain of \$165.6 million and a gross unrealized loss of \$68.4 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 81.3 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 September 30, 2016, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of September 30, 2016, we held 147 individual investment-grade fixed maturity securities and 55 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 17 investment-grade fixed maturity securities and 43 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year. Of the 147 individual investment-grade securities in an unrealized loss position, 113 are held in the portfolio acquired through our purchase of H&J Capital, L.L.C., parent of Starmount Life Insurance Company and AlwaysCare Benefits (which collectively we refer to as Starmount) in the third quarter of 2016. The fair value of the Starmount portfolio was \$39.3 million and had a net unrealized loss of \$0.2 million at September 30, 2016. See Note 7 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information.

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