



# ANNUAL REPORT

2020

## A Note About Non-GAAP Measures

We present certain measures of our performance that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP). Non-GAAP financial measures exclude or include amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP. This Annual Report refers to the following non-GAAP financial measures, which we believe are better performance measures and better indicators of the revenue and profitability and underlying trends in our business:

- After-tax adjusted operating income or loss, which we define as net income adjusted to exclude after-tax net realized investment gains or losses, the amortization of the cost of reinsurance, as well as certain other items, as applicable, which are discussed under “Executive Summary” in Part II, Item 7 of our 2020 Annual Report on Form 10-K; and
- Adjusted operating return on equity, which is calculated using after-tax adjusted operating income or loss and excludes from equity the unrealized gain or loss on securities and net gain on hedges.

Realized investment gains or losses and unrealized gains or losses on securities and net gains on hedges depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our company. As announced in December 2020, we have exited a substantial portion of our Closed Block individual disability products through a series of reinsurance agreements. As a result, we exclude the amortization of the cost of reinsurance that was recognized upon the exit of the business related to the ceded reserves for the cohort of policies on claim status. We believe that the exclusion of the amortization of the cost of reinsurance provides a better view of our results from our ongoing businesses. Book value per common share excluding AOCI, certain components of which tend to fluctuate depending on market conditions and general economic trends, is an important measure. 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 the comparable GAAP financial measures in the determination of overall profitability.

Reconciliation of the most directly comparable GAAP financial measures to the non-GAAP financial measures are as follows:

	December 31, 2020	
	(in millions)	per share *
<b>Net Income</b>	\$ 793.0	\$ 3.89
Excluding:		
<b>Net Realized Investment Gains and Losses</b>		
Net Realized Investment Gain Related to Reinsurance Transaction (net of tax expense of \$273.5)	1,028.8	5.05
Net Realized Investment Loss, Other (net of tax benefit of \$20.9)	(82.3)	(0.40)
<b>Total Net Realized Investment Gains</b>	946.5	4.65
<b>Items Related to Closed Block Individual Disability Reinsurance Transaction</b>		
Change in Benefit Reserves and Transaction Costs (net of tax benefit of \$274.2)	(1,031.3)	(5.06)
Amortization of the Cost of Reinsurance (net of tax benefit of \$0.6)	(2.0)	(0.01)
Net Tax Benefits of Reinsurance Transaction	36.5	0.18
<b>Total Items Related to Closed Block Individual Disability Reinsurance Transaction</b>	(996.8)	(4.89)
Long-term Care Reserve Increase (net of tax benefit of \$31.8)	(119.7)	(0.59)
Group Pension Reserve Increase (net of tax benefit of \$3.7)	(13.8)	(0.07)
Costs Related to Organizational Design Updated (net of tax benefit of \$4.7)	(18.6)	(0.09)
Impairment Loss on ROU Asset (net of tax benefit of \$2.7)	(10.0)	(0.05)
<b>After-tax Adjusted Operating Income</b>	<u>\$ 1,005.4</u>	<u>\$ 4.93</u>

\* Assuming Dilution

Year Ended December 31, 2020	After-Tax Adjusted Operating Income (Loss)	Average Allocated Equity <sup>(1)</sup>	Adjusted Operating Return on Equity
Unum US	\$ 651.4	\$ 4,458.2	14.6%
Unum International	51.9	797.7	6.5%
Colonial Life	264.5	1,584.1	16.7%
Core Operating Segments	967.8	6,840.0	14.1%
Closed Block	183.8	3,979.2	
Corporate	(146.2)	(1,395.2)	
<b>Total</b>	<u>\$ 1,005.4</u>	<u>\$ 9,424.0</u>	10.7%

<sup>(1)</sup> Excludes unrealized gain on securities and net gain on hedges and is calculated using the stockholders' equity balances presented below. Due to the implementation of a FASB update for which the beginning balances of 2020 for certain stockholders' equity line items were adjusted, we are computing the average allocated equity for 2020 using internally allocated equity that reflects the adjusted beginning balances at January 1, 2020. As a result, average equity for the year ended December 31, 2020 for certain of our segments will not compute using the historical allocated equity at December 31, 2019.

	December 31	
	2020	2019
<b>Total Stockholders' Equity</b>	\$ 10,871.0	\$ 9,965.0
Excluding:		
Net Unrealized Gain on Securities	1,067.7	615.9
Net Gain on Hedges	97.8	187.8
<b>Total Adjusted Stockholders' Equity</b>	<u>\$ 9,705.5</u>	<u>\$ 9,161.3</u>

	Twelve Months Ended
	<u>12/31/2020</u>
Average Adjusted Stockholders' Equity	\$ 9,424.0

# **A Letter from our President and CEO, Rick McKenney**

## **To our shareholders, customers and colleagues:**

2020 was a year of unprecedented challenges and tragedy. We mourn the loss of nearly three million people from COVID-19, including over 560,000 Americans. More than a year into the pandemic, few individuals and families are untouched by this health crisis and the corresponding economic fallout.

Against this backdrop, helping the working world thrive throughout life's moments – our purpose at Unum – has never been more important. With families' financial futures under greater pressure, providing affordable access to vital benefits through the workplace is critical. The choices that employers made in 2020 are an important validation that especially in times of financial stress, the benefits and services we provide are highly valued.

Our 10,700 employees around the world have worked in extraordinary circumstances to ensure our customers are well cared for. I'm very proud of how our company and people responded to the pandemic: when the unexpected occurs, 38 million individuals and their families, across more than 180,000 companies know they can count on Unum.

Throughout this tumultuous year, Unum was able to successfully navigate many challenges and execute on our strategic priorities. Instead of pausing efforts to improve how we operate and deliver value to customers, we accelerated them. Our resulting strong and stable financial position – combined with the know-how of our team – gives us great confidence in our ability to serve more companies and customers and return to our pattern of growth as the environment improves.

## **Review of 2020 Performance**

From the economy, interest rates, and credit markets to the health crisis, 2020 was a year of extraordinary volatility and disruption to global markets. At Unum, in keeping with protecting many in the workplace through life and disability insurance, we saw elevated mortality rates and short-term disability claims volumes, while sales and premium growth were pressured by the unparalleled disruption to employers and the workplace. While these macro headwinds interrupted 14 years of growth in after-tax adjusted operating earnings per share, Unum still maintained its strong presence and profitability. With an incredible effort by our team, we saw stable premium income and produced \$793 million of net income and more than \$1 billion in after-tax adjusted operating earnings while improving the strength of our capital position compared to a year-ago.

We also continued to actively manage our business, deploying the cash flow from our core business to invest in digital capabilities for customers and distribution channels while pursuing opportunities to accelerate growth. At the same time, we managed the needs of our Closed Block of legacy businesses. While market and industry concerns about long term care (LTC) continued to weigh on our stock price, we are actively managing this and other parts of our Closed Block. In December 2020, we announced a transaction, which has now been completed, to reinsure most of our Closed Block individual disability insurance (Closed IDI Block) to a third party. Although Unum will continue

to administer this block of business, the move freed up a significant amount of capital that enhances our financial flexibility and can be used to fund future growth.

## **2020 Performance by the Numbers**

In a challenging environment, we continued to execute our strategy and maintain a solid financial base in 2020, including:

- Net income of \$793 million and after-tax adjusted operating income of \$1.0 billion
- Revenues of \$13.2 billion, up 9.7% from 2019
- Net income per share of \$3.89 and after-tax adjusted operating income per share of \$4.93
- Return on equity (ROE) of 7.6% and adjusted ROE of 10.7% on a consolidated basis and adjusted operating ROE of 14.1% in our core operating segments
- Book value per share of \$53.37, up 8.7% from 2019, continuing our long-term commitment to shareholder equity growth

We also ended the year with improved capital metrics as compared to 2019, including:

- Holding company cash of \$1.5 billion, a \$650 million increase year-over-year
- Risk-based capital of approximately 365%, consistent with 2019 levels

## **Purpose-Led Business**

An event like the pandemic puts a bright light on the importance of what we do. Our purpose speaks to the solemn obligation we have to the millions who depend on us as an integral part of their family's financial safety net. In 2020, we paid \$7.6 billion in benefits – including more than \$150 million related to COVID life claims to families. As our employees know, our support goes far beyond replacing a paycheck. Our rehabilitation and support services helped 435,000 people return to work with dignity and compassion. We also simplified the leave process for many workers by sorting through the multilayered landscape of government and company-sponsored leave benefits that grew more complex as a result of the pandemic.

Taking care of others is a top priority we believe can most effectively be met by reflecting the diversity of those we serve. Our unwavering commitment to fostering an inclusive and welcome work environment took on new urgency last year as society grappled with the reality of systemic racism. Working to end racial injustice and other forms of discrimination is a responsibility we all share. It's also about making investments for a more equitable future for everyone. One way we have worked to address these disparities is through the Unum Social Justice Fund, which we launched last year with \$500,000 in seed money to support local community initiatives.

Additionally, the needs of our communities have only grown through the economic impact of the pandemic. As a leader in the business community and with deep roots in our hometowns, we feel a special obligation to help those around us prosper. As an example, when schools shifted to remote learning and food insecurity grew, we donated more than \$420,000 to bridge the technology gap for students at home and fund food programs to feed those in need. In total, Unum donated \$13 million in 2020 across our geographic footprint to enhancing educational opportunities, promote wellbeing and help our communities grow stronger.

Our purpose-led business is only possible with the commitment and engagement from our employees. Foundational to the strength of our people and culture is ensuring every individual who works at Unum can be their authentic selves and bring a diversity of thought and perspective to their jobs. We invest in creating a dynamic environment that rewards our people and helps them learn and grow to better serve our customers. The pride our people feel for what they do is driven not only by our service to customers and society, but by our steadfast commitment to doing the right thing. This year, for the first time, we are proud to have been recognized as one of the World's Most Ethical Companies by The Ethisphere Institute. This accolade recognizes our culture and is in addition to other recognition we have received from organizations such as Bloomberg, the Human Rights Campaign Foundation, the National Association for Female Executives and the Points of Light Foundation.

## **Successful Execution During a Tumultuous Year**

Last year clearly demonstrated that we can deliver in a crisis. Customers new to Unum in 2020 found out what our first customers discovered more than 170 years ago: you can count on us when the unexpected occurs.

I'm very proud of how we adapted and evolved our business to meet the moment. In the face of the pandemic, we leaned on our foundation – a clear purpose, a strong balance sheet, and, most importantly, incredible and committed employees – and never looked back.

As the pandemic took hold, we prioritized safety and quickly moved 98% of our workforce remote—all while keeping the same level of support needed to help our customers. By adapting to this new way of working, as well as implementing new technologies, we were able to keep our employees safe and productive to provide an uninterrupted, high level of service that our customers expect.

One year later, most of our employees are still working partly or fully remote, which is reflective of the increased level of flexibility that we have embraced throughout the pandemic. I believe we will continue to see an adaptive model of working for our employees, even after the pandemic.

Along with increasing flexibility, Unum has focused on enhancing efficiency across our entire operation. Starting before the pandemic, we began a transformation to deliver on the heightened expectations of our customers. This effort, which spans our enterprise, allowed us to address the changes brought by the pandemic.

For example, last year our Colonial Life business saw a dramatic increase in digitally delivered enrollments. While Colonial Life has offered virtual enrollment options for over 10 years, we are now seeing more customers turning to virtual offerings, such as remote sessions with benefits advisors. To meet this demand, in the past year alone we increased the number of counselors who can enroll customers virtually from roughly 500 to over 2,000.

The company also made meaningful steps to manage our Closed IDI Block, by completing a transaction announced in late 2020 to reinsure a substantial portion of this block to a subsidiary of Global Atlantic through a coinsurance arrangement. As with our transformation efforts, this transaction will allow us to focus on growing our core business, create long-term value for our shareholders by optimizing our capital and balance sheet, and continue to invest in our people and new technologies that will prepare us for the future.

## Looking Ahead with Optimism

In 2020, the pandemic put the importance of what we do into clear focus. For Unum and the world, 2021 will be a transition year—defined by a race between the continued spread of COVID-19 and the vaccination efforts and critical preventive measures.

The trends we see are reflective of this race. In the early days of 2021, the health effects of COVID-19 remained significant with high mortality and high infection rates that impacted our benefits experience in multiple lines of business. The sharp spike in unemployment rates of spring 2020 has abated, but unemployment currently remains elevated relative to pre-COVID levels and continues to present a headwind to our growth rates. However, with the rollout of vaccines, the focus on protecting the most vulnerable will come through in our results as the year goes on. Over 85% of our COVID life claims were individuals over 50, who now have broad access to or have already been vaccinated.

The pandemic has put an increasing spotlight on the importance of employee benefits as a source of financial protection. It's also increased the bond between employers and employees, with 75% of employees responding that they trust their employer to do what is right. While the physical workplace may have evolved as a result of the pandemic, the relationship between employers and employees and the need for our products and services have only heightened. And how we interact with those customers has become increasingly digital. The investments we've made in this space have allowed us to keep pace, driving efficiency, accuracy and satisfaction.

By putting our customers first and successfully managing our business, I am confident that Unum is well-positioned to return to our growth path as the world recovers. Our capital position provides a strong foundation. Based on the trends we are seeing today, we expect a favorable impact on our results beginning in the second half of 2021 and a return to more historic levels of growth and profitability in 2022.

As we execute on this focused business strategy, I am excited about the future of the company. We thank you for your continued support.

A handwritten signature in black ink that reads "Rick". The letters are cursive and fluid, with a prominent loop on the "R".



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549**

**FORM 10-K**

(Mark One)

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2020**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from      to**

**Commission file number 001-11294**

**Unum Group**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**62-1598430**  
(I.R.S. Employer Identification No.)

**1 Fountain Square  
Chattanooga, Tennessee**  
(Address of principal executive offices)

**37402**  
(Zip Code)

**(423)294-1011**  
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.10 par value	UNM	New York Stock Exchange
6.250% Junior Subordinated Notes due 2058	UNMA	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes [X]  
No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ]  
No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the shares of the registrant's common stock held by non-affiliates (based upon the closing price of these shares on the New York Stock Exchange) as of the last business day of the registrant's most recently completed second fiscal quarter was \$3.4 billion. As of February 12, 2021, there were 203,731,259 shares of the registrant's common stock outstanding.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the information required by Part III of this Form 10-K are incorporated herein by reference from the registrant's definitive proxy statement for its 2021 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, within 120 days after the end of the registrant's fiscal year ended December 31, 2020.

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## Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a "safe harbor" to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Annual Report on Form 10-K (including certain statements in the business description in Item 1, Management's Discussion and Analysis in Item 7, and the consolidated financial statements and related notes in Item 8), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking statements within the meaning of the Act. Forward-looking statements are those not based on historical information, but rather relate to our outlook, future operations, strategies, financial results, or other developments. Forward-looking statements speak only as of the date made. We undertake no obligation to update these statements, even if made available on our website or otherwise. These statements may be made directly in this document or may be made part of this document by reference to other documents filed by us with the SEC, a practice which is known as "incorporation by reference." You can find many of these statements by looking for words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "plans," "assumes," "intends," "projects," "goals," "objectives," or similar expressions in this document or in documents incorporated herein.

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

- The impact of the COVID-19 pandemic on our business, financial position, results of operations, liquidity and capital resources, and overall business operations.
- Sustained periods of low interest rates.
- Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets 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 governmental programs.
- Unfavorable economic or business conditions, both domestic and foreign, that may result in decreases in sales, premiums, or persistency, as well as unfavorable claims activity.
- Changes in, or interpretations or enforcement of, laws and regulations.
- A cyber attack or other security breach could result in the unauthorized acquisition of confidential data.
- The failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event.
- Investment results, including, but not limited to, changes in interest rates, defaults, changes in credit spreads, impairments, and the lack of appropriate investments in the market which can be acquired to match our liabilities.
- Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.
- Changes in our financial strength and credit ratings.
- Our ability to develop digital capabilities or execute on our technology systems upgrades or replacements.
- Actual experience in the broad array of our products that deviates from our assumptions used in pricing, underwriting, and reserving.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.
- Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- Ineffectiveness of our derivatives hedging programs due to changes in the economic environment, counterparty risk, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation.
- Fluctuation in foreign currency exchange rates.

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

### ITEM 1. BUSINESS

#### General

Unum Group, a Delaware general business corporation, and its insurance and non-insurance subsidiaries, which collectively with Unum Group we refer to as the Company, operate in the United States, the United Kingdom, Poland, and, to a limited extent, in certain other countries. The principal operating subsidiaries in the United States are Unum Life Insurance Company of America (Unum America), Provident Life and Accident Insurance Company (Provident), The Paul Revere Life Insurance Company (Paul Revere Life), Colonial Life & Accident Insurance Company, Starmount Life Insurance Company (Starmount Life), in the United Kingdom, Unum Limited, and in Poland, Unum Zycie TUIR S.A. (Unum Poland). We are a leading provider of financial protection benefits in the United States and the United Kingdom. Our products include disability, life, accident, critical illness, dental and vision, and other related services. We market our products primarily through the workplace.

We have three principal operating business segments: Unum US, Unum International, and Colonial Life. Our other segments are the Closed Block and Corporate segments. These segments are discussed more fully under "Reporting Segments" included herein in this Item 1.

#### Business Strategies

The benefits we provide help the working world thrive throughout life's moments and protect people from the financial hardship of illness, injury, or loss of life by providing support when it is needed most. As a leading provider of employee benefits, we offer a broad portfolio of products and services through the workplace.

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

We have established a corporate culture consistent with the social values our products provide. Because we see important links between the obligations we have to all of our stakeholders, we place a strong emphasis on operating with integrity and contributing to positive change in our communities. Accordingly, we are committed not only to meeting the needs of our customers who depend on us, but also to being accountable for our actions through sound and consistent business practices, a strong internal compliance program, a comprehensive risk management strategy, and an engaged employee workforce.

We believe our disciplined approach to providing financial protection products at the workplace puts us in a position of strength. The products and services we provide have never been more important to employers, employees and their families, especially given the emergence of the COVID-19 pandemic. Our strategy remains centered on growing our core businesses through investing and transforming our operations and technology to anticipate and respond to the changing needs of our customers, expand into new adjacent markets through meaningful partnerships and effective deployment of our capital across our portfolio.

Although the current environment continues to place pressure on our profit margins, we continue to analyze and employ strategies we believe will help us navigate the current environment and allow us to maintain financial flexibility to support the needs of our businesses while also allowing us to return capital to our shareholders. Improvements in the U.S. labor market and consumer confidence levels will have positive impacts on our business. We have substantial leverage to rising interest rates and an improving economy which generates payroll growth and wage inflation. Long-term, we believe that consistent operating results, combined with the implementation of strategic initiatives and the effective deployment of capital, will allow us to meet our financial objectives.

## Reporting Segments

Our reporting segments are comprised of the following: Unum US, Unum International, Colonial Life, Closed Block, and Corporate. The percentage of consolidated premium income generated by each reporting segment for the year ended December 31, 2020 is as follows:

Unum US	64.2 %
Unum International	7.0
Colonial Life	18.2
Closed Block	10.6
<b>Total</b>	<b>100.0 %</b>

Financial information is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

### *Unum US Segment*

Our Unum US segment is comprised of group disability insurance, which includes our long-term and short-term disability products, our medical stop-loss product, and our fee-based leave management services and administrative services only (ASO) business, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business, which include individual disability, voluntary benefits, and dental and vision products. Unum US products are issued primarily by Unum America, Provident, and Starmount Life. Paul Revere Life previously issued products reported in our Unum US segment and continues to service the in-force policies, but Paul Revere Life no longer actively markets new business. These products are marketed through our field sales personnel who work in conjunction with independent brokers and consultants. Our market strategy for Unum US is to effectively deliver an integrated offering of employee benefit products in the group core market segment, which we define for Unum US as employee groups with fewer than 2,000 employees, the group large case market segment, and the supplemental and voluntary market segment.

The percentage of Unum US segment premium income generated by each product line during 2020 is as follows:

Group Disability	43.7 %
Group Life and Accidental Death & Dismemberment	30.0
Individual Disability	7.6
Voluntary Benefits	14.5
Dental and Vision	4.2
<b>Total</b>	<b>100.0 %</b>

### Group Long-term and Short-term Disability

We sell group long-term and short-term disability products to employers for the benefit of employees.

Group long-term disability provides employees with insurance coverage for loss of income in the event of extended work absences due to sickness or injury. We offer services to employers and insureds to encourage and facilitate rehabilitation, retraining, and re-employment. Most policies begin providing benefits following 90 or 180 day waiting periods and continue providing benefits until the employee reaches a certain age, generally between 65 and 70, or recovers from the disability. The benefits are limited to specified maximums as a percentage of income. Also included in our long-term disability product line is our medical stop-loss product, which is designed to protect self-insured employers if their employees' medical claims exceed certain agreed upon thresholds.

Group short-term disability insurance generally provides coverage from loss of income due to injury or sickness for up to 26 weeks, and is limited to specified maximums as a percentage of income. Benefits are effective immediately for accidents and after one week for sickness.

Our leave management services provide administrative services on behalf of employers to ensure the protected leave eligibility and status for employees are in accordance with applicable laws and regulations. ASO products provide administrative services

regarding claims processing and billing for self-insured customers for which the responsibility for funding claim payments remain with the customer.

Premiums for group long-term and short-term disability are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. In some cases, coverage for large employers will include retrospective experience rating provisions or will be underwritten on an experience-rated basis. Premiums for experience-rated group long-term and short-term disability business are based on the expected experience of the client given its demographics, industry group, and location, adjusted for the credibility of the specific claim experience of the client. Both group long-term and short-term disability are sold primarily on a basis permitting periodic repricing to address the underlying claims experience. Fees for our leave management services and ASO business are generally based on the number of covered employees and an agreed-upon per-employee, per-month rate. Premiums for our medical stop-loss product are generally based on the number of covered employees in self-insured employer groups and their estimated overall health risk plus provisions for administrative expenses, and profit.

We have defined underwriting practices and procedures. If the coverage amount for our disability policies exceeds certain prescribed age and amount limits, we may require a prospective insured to submit evidence of insurability. Our disability policies are typically issued, both at inception and renewal, with rate guarantees. For new group policyholders, the usual rate guarantee is one to three years. For group policies being renewed, the rate guarantee is generally one year, but may be longer. The profitability of the policy depends on the adequacy of the rate during the rate guarantee period. The contracts provide for certain circumstances in which the rate guarantees can be overridden. Our medical stop loss contracts are renewable on an annual basis and rates are not guaranteed beyond one year. There is no requirement for prospective insureds to submit evidence of insurability because coverage levels are determined for the group as a whole.

Profitability of group long-term and short-term disability insurance and our medical stop-loss product is affected by sales, persistency, investment returns, claims experience, and the level of administrative expenses. Morbidity is an important factor in disability claims experience, and many economic and societal factors can affect claim incidence for disability insurance. We routinely make pricing adjustments on our group long-term and short-term disability insurance products, when contractually permitted, which take into account emerging experience and external factors.

#### Group Life and Accidental Death and Dismemberment

Group life and accidental death and dismemberment products are sold to employers as employee benefit products. Group life consists primarily of renewable term life insurance with the coverages frequently linked to employees' wages and includes a provision for waiver of premium, if disabled. Accidental death and dismemberment consists primarily of an additional benefit amount payable if death or severe injury is attributable to an accident.

Premiums are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Underwriting practices and rate guarantees are similar to those used for group disability products, and evidence of insurability is required for benefits in excess of a specified limit.

Profitability of group life and accidental death and dismemberment insurance is affected by persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

#### Individual Disability

Individual disability products are offered primarily to multi-life employer groups to supplement their group disability plans and may be funded by the employer, but the policy is owned by the employee and is portable. Individual disability insurance provides the insured with a portion of earned income lost as a result of sickness or injury. The benefits, including the underlying group disability coverage, typically range from 30 percent to 75 percent of the insured's monthly earned income. We provide various options with respect to length of benefit periods, product features, and waiting periods before benefit payments begin, which permit tailoring of the multi-life plan to a specific employer's needs. We also market individual disability policies which include payments for the transfer of business ownership between partners and payments for business overhead expenses, also on a multi-life basis. Individual disability products do not provide for the accumulation of cash values.

Premium rates for individual disability products vary by age, product features, and occupation based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience. Our underwriting rules, issue limits, and plan designs reflect risk and the financial circumstances of prospective insureds. Individuals in multi-life groups may be subject to limited medical underwriting. The majority of our



individual disability policies are written on a noncancelable basis. Under a noncancelable policy, as long as the insured continues to pay the fixed annual premium for the policy's duration, we cannot cancel the policy or change the premium.

Profitability of individual disability insurance is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

#### Voluntary Benefits

Voluntary benefits products are primarily sold to groups of employees through payroll deduction at the workplace and include life, disability, accident, hospital indemnity, cancer, and critical illness offered on both a group and individual basis.

Premium rates for voluntary benefits products are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. Our underwriters evaluate the medical condition of prospective policyholders prior to the issuance of a policy on a simplified basis. Underwriting requirements may be waived for cases that meet certain criteria, including participation levels. Individual voluntary benefits products other than life insurance are offered on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval. Group voluntary benefits products are offered primarily on an optionally renewable basis which allows us to re-price or terminate in-force policies.

Profitability of voluntary benefits products is affected by the level of employee participation, persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

#### Dental and Vision

Group dental and vision products are sold to employers as employee benefit products. Our group dental products include a variety of insured and self-insured dental care plans including preferred provider organizations and scheduled reimbursement plans. Our group vision products provide coverage that includes a range of both in-network and out-of-network benefits for routine vision services offered either in conjunction with our dental product offerings or as stand-alone coverage.

Premiums for small case group dental and vision products are generally based on expected claims of a pool of similar risks plus a provision for administrative expenses, investment income, and profit. Premiums for large employer groups are underwritten on an experience-rated basis.

Profitability of our dental and vision products is affected by persistency, claims experience, the level of administrative expenses, and to a lesser extent, investment returns.

#### ***Unum International Segment***

The Unum International segment includes our operations in the United Kingdom and Poland. Unum UK's business includes insurance for group long-term disability, group life, and supplemental lines of business which include dental, individual disability, and critical illness products. Unum Poland's business primarily includes insurance for individual and group life with accident and health riders. Both Unum UK's and Unum Poland's products are sold primarily through field sales personnel and independent brokers and consultants. The market strategy for the segment is to offer benefits to employers and employees through the workplace, with a focus on the expansion of the number of employers and employees covered in our Unum UK core market segment, which we define as employee groups with fewer than 500 employees, and the growth of the existing Unum Poland business through the incorporation of our benefits and distribution expertise.

The percentage of Unum International segment premium income generated by each product line during 2020 is as follows:

Unum UK	
Group Long-term Disability	55.9 %
Group Life	16.6
Supplemental	15.3
Unum Poland	12.2
<b>Total</b>	<b>100.0 %</b>

## Unum UK Group Long-term Disability

Group long-term disability products are sold to employers for the benefit of employees. Group long-term disability provides employees with insurance coverage for loss of income in the event of extended work absences due to sickness or injury. Services are offered to employers and insureds to encourage and facilitate rehabilitation, retraining, and re-employment. Most policies begin providing benefits following 90 or 180 day waiting periods and continue providing benefits until the employee reaches a certain age or reaches the end of the limited period specified in the policy terms. The benefits are limited to specified maximums as a percentage of income.

Premiums for group long-term disability are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Some cases carry experience rating provisions. Premiums for experience-rated group long-term disability business are based on the expected experience of the client given its demographics, industry group, and location, adjusted for the credibility of the specific claim experience of the client. Policies are sold primarily on a basis permitting periodic repricing to address the underlying claims experience.

We have defined underwriting practices and procedures. If the coverage amount exceeds certain prescribed age and amount limits, we may require a prospective insured to submit evidence of insurability. Policies are typically issued, both at inception and renewal, with rate guarantees. The usual rate guarantee is two years but may vary depending on circumstances. The profitability of the policy is dependent upon the adequacy of the rate during the rate guarantee period. The contracts provide for certain circumstances in which the rate guarantees can be overridden.

Profitability of group long-term disability insurance is affected by persistency, investment returns, claims experience, and the level of administrative expenses. Morbidity is an important factor in disability claims experience. We routinely make pricing adjustments on our group insurance products, when contractually permitted, which take into account emerging experience and external factors.

## Unum UK Group Life

Group life products are sold to employers as employee benefit products. Group life consists of two types of products, a renewable term life insurance product and a group dependent life product. The renewable term life product provides a lump sum benefit to the beneficiary on death of an employee. The group dependent life product, which we discontinued offering to new customers in 2012, provides an annuity to the beneficiary upon the death of an employee. Both coverages are frequently linked to employees' wages. Premiums for group life are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Underwriting and rate guarantees are similar to those utilized for group long-term disability products.

Profitability of group life is affected by persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

## Unum UK Supplemental

Supplemental products are sold to individual retail customers as well as groups of employees and include individual disability, group and individual critical illness, and group dental. Individual disability products provide the insured with a portion of earned income lost as a result of sickness or injury. Critical illness products provide a lump-sum benefit on the occurrence of a covered critical illness event. Group dental products generally provide fixed benefits based on specified treatments or a portion of the cost of the treatment.

Premiums for our individual products vary by age and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. Approximately two thirds of our individual disability policies are written on a noncancelable basis. The remainder of our individual disability policies and all of our individual critical illness products are offered on a guaranteed renewable basis which allows us to re-price in-force policies. Our underwriters evaluate the medical and financial condition of prospective policyholders prior to the issuance of a policy.

Premiums for group critical illness products are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Underwriting and rate guarantees are similar to those utilized for group long-term disability products. Premiums for group dental products are generally based on standard industry rates that vary by age, with minor pricing variation based on the number of covered employees in the group.

Profitability of our supplemental products is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

### Unum Poland

Unum Poland products, which include both individual and group life products, provide renewable term and whole life insurance with accident and health riders. Premiums are based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Profitability of our Unum Poland products is affected by persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

### *Colonial Life Segment*

Our Colonial Life segment includes accident, sickness, and disability products, which includes our dental and vision products, life products, and cancer and critical illness products. These products are issued primarily by Colonial Life & Accident Insurance Company and marketed to employees, on both a group and an individual basis, at the workplace through an independent contractor agency sales force and brokers. Our market strategy for Colonial Life is to effectively deliver a broad set of voluntary products and services in the public sector market and in the commercial market, with a particular focus on the core commercial market segment, which we define for Colonial Life as accounts with fewer than 1,000 employees.

Our underwriters evaluate the medical condition of prospective policyholders prior to the issuance of a policy on a simplified basis. Underwriting requirements may be waived for cases that meet certain criteria, including participation levels.

The percentage of Colonial Life segment premium income generated by each product line during 2020 is as follows:

Accident, Sickness, and Disability	58.1 %
Life	21.4
Cancer and Critical Illness	20.5
<b>Total</b>	<b>100.0 %</b>

### Accident, Sickness, and Disability

The accident, sickness, and disability product line consists of short-term disability plans, accident-only plans providing benefits for injuries on a specified loss basis, and our dental and vision products. It also includes accident and health plans covering hospital admissions, confinement, and surgeries.

Premiums for accident, sickness, and disability products are generally based on assumptions for morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience and published industry tables. Premiums are primarily individual guaranteed renewable for which we have the ability to change premiums on a state by state basis. A small percentage of the policies are written on a group basis which are offered primarily on an optionally renewable basis which allows us to re-price or terminate in-force policies. Premiums for our dental and vision products are guaranteed renewable with standard industry rates that vary by age and region.

Profitability is affected by the level of employee participation, persistency, investment returns, claims experience, and the level of administrative expenses.

### Life

Life products are primarily comprised of universal life, whole life, and term life policies.

Premium rates vary by age and are based on assumptions concerning mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience and published industry tables. Premiums for the whole life and level term products are guaranteed for the life of the contract. Premiums for the universal life products are flexible and may vary at the individual policyholder level. For the group term life products, we retain the right to change premiums at the account level based on the experience of the account.

Profitability is affected by the level of employee participation, persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

## Cancer and Critical Illness

Cancer policies provide various benefits for the treatment of cancer including hospitalization, surgery, radiation, and chemotherapy. Critical illness policies provide a lump-sum benefit and/or fixed payments on the occurrence of a covered critical illness event.

Premiums are generally based on assumptions for morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience and published industry tables. Premiums are primarily individual guaranteed renewable wherein we have the ability to change premiums on a state by state basis.

Profitability of these products is affected by the level of employee participation, persistency, investment returns, claims experience, and the level of administrative expenses.

### ***Closed Block Segment***

Our Closed Block segment consists of group and individual long-term care, individual disability, and other insurance products no longer actively marketed. Closed Block segment premium income for 2020 was comprised of approximately 68 percent group and individual long-term care and 32 percent individual disability.

#### Group and Individual Long-term Care

We discontinued offering individual long-term care in 2009 and group long-term care in 2012. Group long-term care was previously offered to employers for the benefit of employees. Individual long-term care was previously marketed on a single-life customer basis.

Long-term care insurance pays a benefit upon the loss of two or more activities of daily living and the insured's requirement of standby assistance or cognitive impairment. Payment is generally made on an indemnity basis, regardless of expenses incurred, up to a lifetime maximum. Benefits begin after a waiting period, usually 90 days or less, and are generally paid for a period of three years, six years, or lifetime.

Our long-term care insurance was sold on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval. Premium rates for long-term care vary by age and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. Premium rate increases continue to be implemented where needed and where approved by state regulators. We develop our assumptions based on our own claims and persistency experience and published industry tables.

Profitability is affected by premium rate increases, persistency, investment returns, mortality and other claims experience, and the level of administrative expenses.

#### Individual Disability

We began limiting sales of the types of individual disability policies reported in our Closed Block segment subsequent to the mid-1990s after substantial changes in product design were implemented to improve the overall risk profile of our offerings of individual disability products. We entirely discontinued issuing new policies in this closed block of business in 2004. The majority of the policies were written on a noncancelable basis and were marketed on a single-life customer basis. Profitability is affected by persistency, investment returns, claims experience, and the level of administrative expenses. In December 2020, we entered into a reinsurance agreement to reinsure the majority of our Closed Block individual disability products to a third party. For further discussion on this reinsurance agreement, refer to "Reinsurance" herein this Item 1, "Executive Summary" and "Segment Results" contained herein in Item 7, and Note 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

#### Other

Other insurance products not actively marketed include group pension, individual life and corporate-owned life insurance, reinsurance pools and management operations, and other miscellaneous product lines. The majority of these products have been reinsured, with approximately 80 percent of reserves at December 31, 2020 ceded to other insurance companies.

## ***Corporate Segment***

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

### **Reinsurance**

In the normal course of business, we assume reinsurance from and cede reinsurance to other insurance companies. In a reinsurance transaction, a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium or fee. We undertake reinsurance transactions for both risk management and capital management. If the assuming reinsurer in a reinsurance agreement is unable to meet its obligations, we remain contingently liable. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreement, reinsurance recoverable balances could become uncollectible. We evaluate the financial condition of reinsurers to whom we cede business and monitor concentration of credit risk to minimize our exposure. We may also require assets to be held in trust, letters of credit, or other acceptable collateral to support reinsurance recoverable balances. The collectibility of our reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. Although we have controls to minimize our exposure, the insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract could have a material adverse effect on our results of operations.

In general, the maximum amount of life insurance risk retained by our U.S. insurance subsidiaries under group or individual life or group or individual accidental death and dismemberment policies during 2020 was \$1 million per covered life per policy. The retention amount remains at \$1 million for 2021. For Unum Limited life insurance risk, during 2020 we had reinsurance agreements which provided 75 percent quota share coverage up to £500 thousand per covered life for group dependent life benefits and 25 percent quota share coverage for most of our group lump sum benefits, as well as 100 percent coverage per covered life above that amount. In April 2020, we increased the quota share coverage for group lump sum benefits with one of our reinsurers to 75 percent, which resulted in an aggregate quota share coverage for our lump sum benefits of approximately 36 percent. The same structures, including the increased aggregate group lump sum quota share, will be maintained for coverage during 2021 for Unum Limited.

In December 2020, Provident, Paul Revere Life, and Unum America, collectively referred to as "the ceding companies", entered into a series of agreements (collectively referred to as the "reinsurance agreement") with Commonwealth Annuity and Life Insurance Company (Commonwealth) a subsidiary of Global Atlantic Financial Group, to reinsure on a coinsurance basis effective as of July 1, 2020 approximately 75 percent of the Closed Block individual disability insurance business, primarily direct business written by the ceding companies. Commonwealth has established and will maintain collateralized trust accounts for the benefit of the ceding companies to secure its obligations under the reinsurance agreement. As part of the reinsurance agreement, additional Closed Block individual disability business consisting of direct business not ceded in December 2020 and business assumed by the ceding companies from third parties, is expected to be reinsured in the first quarter of 2021, subject to receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions and is considered the second phase of this transaction.

Also in December 2020, prior to entering into this reinsurance agreement with Commonwealth, the ceding companies recaptured their respective reinsurance agreements with Northwind Reinsurance Company (Northwind Re) where substantially all of the ceding companies' Closed Block individual disability business had previously been fully ceded to Northwind Re. Northwind Re is an affiliated captive reinsurance subsidiary domiciled in the United States, with Unum Group as the ultimate parent.

In December 2020, Provident Life and Casualty Insurance Company (PLC), also a wholly-owned domestic insurance subsidiary of Unum Group, entered into an agreement with Commonwealth whereby PLC will provide a 12-year volatility cover to Commonwealth for the active life cohort (ALR cohort), which represents approximately five percent of the reserves ceded to Commonwealth. PLC will provide similar coverage to Commonwealth related to additional business ceded as part of the second phase of the transaction. At the end of the 12-year coverage period, Commonwealth will retain the risk for the remaining incidence and claims risk on the ALR cohort of the ceded business. Under this volatility cover, annual settlements will be made equal to the difference between the actual and estimated cash flows and reserve changes during the year. Upon expiration of the 12-year period, a terminal settlement will be made based on the final disabled life reserves. Due to the nature of the volatility cover, the ALR cohort will be accounted for under the deposit method on a U.S. generally accepted accounting principles (GAAP) basis.

We have global catastrophic reinsurance coverage which covers all Unum Group insurance companies and includes four layers of coverage to limit our exposure under life, accidental death and dismemberment, long-term care, and disability policies in regard to a catastrophic event. Each layer provides coverage for all catastrophic events, including acts of war and any type of terrorism, up to \$1 million of coverage per person per policy for each U.S. and non-U.K. line of covered business, and up to £2 million of coverage for each U.K. covered line of business. We have the following coverage for 2021, after a \$100 million deductible:

Layer	Coverage (in millions)	Percent Coverage
First	\$ 50.0	50.0 %
Second	55.0	55.0
Third	90.0	60.0
Fourth	180.0	60.0
<b>Total Catastrophic Coverage</b>	<b>\$ 375.0</b>	

In addition to the global catastrophic reinsurance coverage noted above, Unum Limited has additional catastrophic coverage via an arms-length, inter-company reinsurance agreement with Unum America, under similar terms as the global catastrophic treaties. Unum Limited has additional coverage after a £75 million deductible for 2021 of £9 million or 12 percent.

Unum Poland has additional global catastrophic reinsurance coverage of up to zł70 million with a maximum retention limit of zł0.8 million in 2020. Insurable events include passive war, as well as nuclear, chemical, biological and other forms of terrorism. This agreement was renewed with the same conditions for 2021.

Events may occur which limit or eliminate the availability of catastrophic reinsurance coverage in future years.

We have a quota share reinsurance agreement under which we cede certain blocks of Unum US group long-term disability claims. The agreement is on a combination coinsurance with funds withheld and modified coinsurance basis and provides 90 percent quota share reinsurance on the ceded claims. We also have five reinsurance agreements that collectively cede approximately 65 percent of Unum US group life risk up to our per person retention limit for our U.S. insurance subsidiaries. These reinsurance agreements for Unum US group disability and group life allow us to more effectively manage capital in conformity with statutory accounting principles but do not meet insurance risk transfer in accordance with applicable GAAP and therefore are not accounted for as reinsurance in our consolidated GAAP financial statements.

We also cede 30 percent of the risk for certain blocks of recently issued Unum US individual disability policies, as well as some related claims development risk for a limited period of time. The agreement is on a non-proportional modified coinsurance basis with a provision for experience refunds.

Unum America cedes certain blocks of business to Fairwind Insurance Company (Fairwind), which is an affiliated captive reinsurance subsidiary (captive reinsurer) domiciled in the United States, with Unum Group as the ultimate parent. This captive reinsurer was established for the limited purpose of reinsuring risks attributable to specified policies issued or reinsured by Unum America in order to effectively manage risks in connection with these blocks of our business as well as to enhance our capital efficiency. On a consolidated reporting basis for Unum Group, financial statement impacts of our reinsurance arrangements with affiliates are eliminated in accordance with GAAP.

For further discussion of our reinsurance activities, refer to "Risk Factors" contained herein in Item 1A; "Executive Summary," "Consolidated Operating Results," "Segment Results," and "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7, and Notes 1, 12, and 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## **Reserves for Policy and Contract Benefits**

The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding policies. These reserves are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates, and methods of valuation required for statutory accounting.

The reserves reported in our financial statements contained herein are calculated in conformity with GAAP and differ from those specified by the laws of the various states and reported in the statutory financial statements of our life insurance subsidiaries. These differences result from the use of mortality and morbidity tables and interest assumptions which we believe are more representative of the expected experience for these policies than those required for statutory accounting purposes and also result from differences in actuarial reserving methods.

The assumptions we use to calculate our reserves are intended to represent an estimate of experience for the period that policy benefits are payable. If actual experience is equal, or favorable, to our reserve assumptions, then reserves should be adequate to provide for future benefits and expenses. If experience is less favorable than the reserve assumptions, additional reserves may be required. The key experience assumptions include claim incidence rates, claim resolution rates, mortality and morbidity rates, policy persistency, interest rates, premium rate increases, and any applicable policy benefit offsets, including those for social security and other government-based welfare benefits. We periodically review our experience and update our policy reserves for new issues and reserves for all claims incurred, as we believe appropriate.

The consolidated statements of income include the annual change in reserves for future policy and contract benefits. The change reflects a normal accretion for premium payments and interest buildup and decreases for policy terminations such as lapses, deaths, and benefit payments. If policy reserves using best estimate assumptions as of the date of a test for loss recognition are higher than existing policy reserves net of any deferred acquisition costs, the increase in reserves necessary to recognize the deficiency is also included in the change in reserves for future policy and contract benefits.

For further discussion of reserves, refer to "Risk Factors" contained herein in Item 1A, "Critical Accounting Estimates" and the discussion of segment operating results included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Notes 1 and 6 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## **Investments**

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 manage 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 manage our asset and liability cash flow match and our asset and liability duration match to manage interest rate risk. We may redistribute investments among our different lines of business, when necessary, to adjust the cash flow and/or duration of the asset portfolios to better match the cash flow and duration of the liability portfolios. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. Cash flows from the in-force asset and liability portfolios are projected at current interest rate levels and at levels reflecting an increase and a decrease in interest rates to obtain a range of projected cash flows under the different interest rate scenarios. These results enable us to assess the impact of projected changes in cash flows and duration resulting from potential changes in interest rates. Testing the asset and liability portfolios under various interest rate scenarios enables us to choose what we believe to be the most appropriate investment strategy, as well as to limit the risk of disadvantageous outcomes. Although we test the asset and liability portfolios under various interest rate scenarios as part of our modeling, the majority of our liabilities related to insurance contracts are not interest rate sensitive, and we therefore have minimal exposure to policy withdrawal risk. Our determination of investment strategy relies on long-term measures such as reserve adequacy analysis and the relationship between the portfolio yields supporting our various product lines and the aggregate discount rate assumptions embedded in the

reserves. We also use this analysis in determining hedging strategies and utilizing derivative financial instruments for managing interest rate risk and the risk related to matching duration for our assets and liabilities. We do not use derivative financial instruments for speculative purposes.

Refer to "Risk Factors" contained herein in Item 1A; "Critical Accounting Estimates" and the discussion of investments in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7; "Quantitative and Qualitative Disclosures About Market Risk" herein in Item 7A; and Notes 1, 2, 3, and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for information on our investments and derivative financial instruments.

## **Ratings**

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

Rating agencies assign an outlook statement of "positive," "negative," or "developing" to indicate an intermediate-term trend in credit fundamentals which could lead to a rating change. "Positive" means that a rating may be raised, "negative" means that a rating may be lowered, and "developing" means that a rating may be raised or lowered with equal probability. Alternatively, a rating may have a "stable" outlook to indicate that the rating is not expected to change.

"Credit watch" or "under review" highlights the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause a rating to be placed under heightened surveillance by a rating agency. Events that may trigger this action include mergers, acquisitions, recapitalizations, regulatory actions, criteria changes, or operating developments. Ratings may be placed on credit watch or under review when an event or a change in an expected trend occurs and additional information is needed to evaluate the current rating level. This status does not mean that a rating change is inevitable, and ratings may change without first being placed on a watch list. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Each rating should be evaluated independently of any other rating.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Ratings" contained herein in Item 7 for our current outlook, issuer credit, and financial strength ratings. See also further discussion in "Risk Factors" contained herein in Item 1A.

## **Competition**

There is significant competition among insurance companies for the types of products we sell. We are operating in a dynamic competitive environment of both traditional and non-traditional competitors, with changes in product offerings, enrollment services, and technology solutions. We believe that the principal competitive factors affecting our business are price, quality of the customer experience regarding service and claims management, integrated product choices, enrollment capabilities, financial strength ratings, claims-paying ratings, and a solution to allow our customers to comply with the changing laws and regulations related to family medical leave benefits.

Our principal competitors for our products include the largest insurance companies in the industry as well as regional companies offering specialty products. Some of these companies have more competitive pricing or have higher claims-paying ratings. Some may also have greater financial resources with which to compete.

In the United Kingdom and Poland, where we sell both individual and group products, we compete with a mix of large internationally recognized providers and strong local carriers.

All areas of the employee benefits markets are highly competitive due to the yearly renewable term nature of our products and the large number of insurance companies offering products in this market. There is a risk that our customers may be able to obtain more favorable terms or improved technology solutions from competitors in lieu of renewing coverage with us. The



effect of competition may, as a result, adversely affect the persistency of these and other products, as well as our ability to sell products in the future.

We must attract and retain independent agents and brokers to actively market our products. Strong competition exists among insurers for agents and brokers. We compete with other insurers for sales agents and brokers primarily on the basis of our product offerings, financial strength, support services, and compensation. Sales of our products could be materially adversely affected if we are unsuccessful in attracting and retaining agents and brokers.

For further discussion, refer to "Risk Factors" contained herein in Item 1A.

## **Regulation**

We and our subsidiaries are subject to extensive and comprehensive supervision and regulation in the United States, the United Kingdom, and Poland. The laws and regulations with which we must comply are complex and subject to change. New or existing laws and regulations may become more restrictive or otherwise adversely affect our operations.

### ***Insurance Regulation and Oversight***

Our U.S. insurance subsidiaries are subject to regulation and oversight by insurance regulatory authorities in the jurisdictions in which they do business and by the U.S. Department of Labor (DOL) on a national basis, primarily for the protection of policyholders. State insurance regulators in the U.S. generally have broad powers with respect to all aspects of the insurance business, including the power to: license and examine insurance companies; regulate and supervise sales practices and market conduct; license agents and brokers; approve policy forms; approve premium rates and subsequent increases thereon for certain insurance products; establish reserve requirements and solvency standards; place limitations on shareholder dividends; prescribe the form and content of required financial statements and reports; regulate the types and amounts of permitted investments; and regulate reinsurance transactions. Our U.S. insurance subsidiaries are examined periodically by their states of domicile and by other states in which they are licensed to conduct business. The domestic examinations have traditionally emphasized financial matters from the perspective of protection of policyholders, but they can and have covered other subjects that an examining state may be interested in reviewing, such as market conduct issues and reserve adequacy. Examinations in other states more typically focus on market conduct, such as a review of sales practices, including the content and use of advertising materials and the licensing and appointing of agents and brokers, as well as underwriting, claims, and customer service practices, and identification and handling of unclaimed property to determine compliance with state laws. Our U.S. insurance subsidiaries are also subject to assessments by state insurance guaranty associations to cover the proportional cost of insolvent or failed insurers. The DOL enforces a comprehensive federal statute which regulates claims paying fiduciary responsibilities and reporting and disclosure requirements for most employee benefit plans.

Our U.K. insurance subsidiary, Unum Limited, is subject to dual regulation by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The PRA oversees the financial health and stability of financial services firms and is responsible for the prudential regulation and day-to-day supervision of insurance companies. The FCA seeks to protect consumers and oversees financial services products and practices, including those governing insurance companies in the U.K.

On January 31, 2020, an official bill was passed formalizing the withdrawal of the U.K. from the European Union (EU). A deal was reached on December 24, 2020 on the future trading relationship with the EU. The deal focused primarily on the trading of goods rather than the U.K.'s service sector, which will be subject to further negotiations in 2021 and will focus on financial services and future regulation. In addition, the U.K. government is reviewing the regulatory framework of financial services companies which may result in changes to U.K. regulatory capital or U.K. tax regulations. We do not expect that the underlying operations of our U.K. business, nor the Polish business which is in the EU, will be significantly impacted by the withdrawal, but we may see some continued dampening of growth in the U.K. as well as earnings volatility due to the current disruption and uncertainty in the U.K. economy. We may also experience volatility in the fair values of our investments in U.K. and EU-based issuers, but we do not expect a material increase in credit losses or defaults, nor do we believe this volatility will impact our ability to hold these investments. In addition, the current economic conditions may also cause volatility in our solvency ratios. Our reported consolidated financial results continue to be impacted by fluctuations in the British pound sterling to dollar exchange rate.

Our Polish insurance subsidiary, Unum Zycie TUIR, is subject to regulation by the Komisja Nadzoru Finansowego (KNF) of the Financial Supervision Authority (FSA) in Poland. The KNF oversees the financial health and stability of financial services firms and is responsible for the prudential regulation and day-to-day supervision of insurance companies and other financial institutions.

## *Capital Requirements*

Risk-based capital (RBC) standards for U.S. life insurance companies are prescribed by the National Association of Insurance Commissioners (NAIC). The domiciliary states of our U.S. insurance subsidiaries have all adopted a version of the NAIC RBC Model Act, which prescribes a system for assessing the adequacy of statutory capital and surplus for all life and health insurers. The basis of the system is a risk-based formula that applies prescribed factors to the various risk elements in a life and health insurer's business to report a minimum capital requirement proportional to the amount of risk assumed by the insurer. The life and health RBC formula is designed to measure annually (i) the risk of loss from asset defaults and asset value fluctuations, (ii) the risk of loss from adverse mortality and morbidity experience, (iii) the risk of loss from mismatching of asset and liability cash flow due to changing interest rates, and (iv) business risks. The formula is used as an early warning tool to identify companies that are potentially inadequately capitalized. The formula is intended to be used as a regulatory tool only and is not intended as a means to rank insurers generally. The NAIC approved a new and more granular RBC structure for fixed income asset capital charges on April 30, 2020 for 2020 year-end reporting. The structure expands the fixed income asset designations from six to 20 categories. Factor values for the new structure are currently under review by the NAIC, and therefore the only impact of this change for 2020 was to report using the new categories. We will continue to monitor the NAIC's activities on this issue.

The NAIC continues to review the state-based solvency regulation framework to identify opportunities to respond to national and international insurance regulatory and solvency developments. The topics of its review include capital requirements, governance and risk management, statutory accounting and financial reporting, and reinsurance. This ongoing review will likely result in changes to U.S. insurance regulation and solvency standards, including those for our U.S. insurance subsidiaries. One of the outcomes of the NAIC's review was the adoption of the NAIC Risk Management and Own Risk and Solvency Assessment (ORSA) Model Act which, following enactment at the state level, requires insurers to provide, at least annually, a group-level perspective on the risks of the current and future business plans and the sufficiency of capital to support those risks. All states where our traditional U.S. insurance subsidiaries are domiciled have enacted ORSA requirements, and we file an ORSA summary report annually with the applicable insurance regulators.

The NAIC has established a working group charged with developing a group capital calculation that can be used by regulators in assessing the risks and financial position of insurance groups. The NAIC continues to push this initiative forward on an accelerated timeline, and therefore we continue to closely monitor and assess developments. We are also monitoring developments around the implementation of reforms adopted by the International Association of Insurance Supervisors (IAIS) in November 2019 that established similar group capital requirements applicable to Internationally Active Insurance Groups (IAIGs). We are not subject to the reforms adopted by the IAIS, however, the requirements are a factor influencing the substance and timeframe of the reforms that will be adopted by the NAIC. We will continue to monitor the NAIC's activities on this issue but it is still too early to determine what, if any, impact these developments will have on our capital requirements.

The NAIC has adopted a valuation manual containing a principles-based approach to life insurance company reserves for new business. The earliest effective date was January 2017 with a three-year optional period before mandatory adoption by January 2020. The Company elected a staged approach to the implementation of the new requirements, with no material impact on our statutory reserves.

In 2012, the NAIC established a subgroup to study the insurance industry's use of captive reinsurers and special purpose vehicles to transfer insurance risk and is considering ways to promote uniformity in both the approval and supervision of such reinsurers. More recently, the NAIC adopted a proposal to subject certain captive reinsurers and special purpose vehicles to the same capital requirements as traditional insurers. As the NAIC and state insurance regulators continue to examine the use of captive insurance companies to finance reserves required under current regulations, we cannot predict the ultimate outcome of their work, or how long or extensively they will continue to focus on this issue. Although we believe it to be unlikely, a potential outcome of future NAIC decisions from its various committees, task forces, and working groups is that companies could be prohibited from using captive reinsurers. No changes in the use or regulation of captive reinsurers have been proposed by the NAIC, and we are unable to predict the extent of any changes that might be made. As a result of the recapture of the reinsurance agreements with Northwind Re, as of December 31, 2020, no insurance risk remains in Northwind Re and therefore Fairwind remains the only active captive insurer. We expect to continue our strategy of using captive reinsurers to manage risks and enhance capital efficiency while monitoring the NAIC's study and proposed changes in regulations. See "Reinsurance" contained herein in this Item 1 for further discussion.

The PRA has statutory requirements, including capital adequacy and liquidity requirements and minimum solvency margins, to which Unum Limited must adhere as part of the provisions of Solvency II, an EU directive that prescribes capital requirements and risk management standards for the European insurance industry. Our European holding company is also subject to the

Solvency II requirements relevant to insurance holding companies, while its subsidiaries, which includes Unum Limited, are subject to group supervision under Solvency II. The Unum European Economic Area (EEA) Group, which is comprised of the European holding company and its subsidiaries, received approval from the PRA to use its own internal model for calculating regulatory capital and also received approval for certain associated regulatory permissions including transitional relief as the Solvency II capital regime is implemented. The U.K. government is reviewing the regulatory framework of financial services companies which may result in changes to U.K. regulatory capital or U.K. tax regulations.

See further discussion in "Risk Factors" contained herein in Item 1A and "Executive Summary," "Liquidity and Capital Resources" contained herein in Item 7 and Note 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

### ***Insurance Holding Company Regulation***

We and our U.S. insurance subsidiaries (excluding captive reinsurers) are subject to regulation under the insurance holding company laws in the states in which our insurance subsidiaries are domiciled, which currently include Maine, Massachusetts, New York, South Carolina, and Tennessee. These laws generally require each insurance company that is domiciled in the state and a member of an insurance holding company system to register with the insurance department of that state and to furnish at least annually financial and other information about the operations of companies within the holding company system, including information concerning capital structure, ownership, management, financial condition, and certain intercompany transactions. Transactions between an insurer and affiliates in the holding company system generally must be fair and reasonable and, if material, require prior notice and approval by the domiciliary insurance regulator.

In addition, such laws and regulations restrict the amount of dividends that may be paid by our insurance subsidiaries to their respective shareholders, including our Company and certain of our intermediate holding company subsidiaries. See further discussion in "Risk Factors" contained herein in Item 1A and "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7.

The NAIC has adopted the Corporate Governance Annual Disclosure Model Act and the Corporate Governance Annual Disclosure Model Regulation, which require U.S. insurers to disclose detailed information regarding their governance practices. The model act and regulation must be adopted by individual state legislatures and insurance regulators in order to be effective in a particular state. All of the states in which our insurance subsidiaries are domiciled have adopted a requirement to file a corporate governance annual disclosure similar to the model act and regulations.

The NAIC has also adopted the Insurance Data Security Model Law, which creates a legal framework that requires insurance companies to establish cybersecurity programs designed to protect the private data of consumers. The law outlines planned cybersecurity testing and the development of incident response plans for breach notification procedures. The model law must be adopted by individual state legislatures and insurance regulators in order to be effective in a particular state. At this time, among the states in which our insurance subsidiaries are domiciled, the model law is effective only in South Carolina. The New York State Department of Financial Services has established similar regulations to this law and the state of California has enacted the California Consumer Privacy Act of 2018.

The laws of most states, including the states in which our insurance subsidiaries are domiciled (or deemed to be commercially domiciled), require regulatory approval of a change in control of an insurance company or its holding company. Where these laws apply to us, there can be no effective change in control of our Company or of any of our insurance subsidiaries unless the person seeking to acquire control has filed a statement containing specified information with the appropriate insurance regulators and has obtained their prior approval of the proposed change. The usual measure for a presumptive change of control pursuant to these laws is the acquisition of 10 percent or more of the voting stock of an insurance company or its holding company, although this presumption is rebuttable. Consequently, a person acquiring 10 percent or more of the voting stock of an insurance company or its holding company without the prior approval of the insurance regulators in the state(s) of domicile of the insurance company(ies) sought to be acquired (or whose holding company is sought to be acquired) will be in violation of these laws. Such a person may also be subject to one or more of the following actions: (i) injunctive action requiring the disposition or seizure of those shares by the applicable insurance regulators; (ii) prohibition of voting of such shares; and (iii) other actions determined by the relevant insurance regulators. Further, many states' insurance laws require that prior notification be given to state insurance regulators of a change in control of a non-domiciled insurance company doing business in the state. These pre-notification statutes do not authorize the state insurance regulators to disapprove the change in control; however, they do authorize regulatory action in the affected state if particular conditions exist, such as undue market concentration. Any future transactions that would constitute a change in control of our Company or of any of our insurance subsidiaries may require prior notification in those states that have adopted pre-notification laws.

These laws may discourage potential acquisition proposals and may delay, deter, or prevent a change in control of our Company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

### ***Federal Laws and Regulations***

We are subject to the laws and regulations generally applicable to public companies, including the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange relating to public reporting and disclosure, accounting and financial reporting, corporate governance, and securities trading. Further, the Sarbanes-Oxley Act of 2002, and rules and regulations adopted under this regulation, have increased the requirements for us and other public companies in these and other areas.

The USA PATRIOT Act of 2001 (Patriot Act) contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. The National Defense Authorization Act for Fiscal Year 2021 (NDAA) makes the most significant changes to the U.S. anti-money laundering laws since the Patriot Act. The NDAA requires many U.S. companies to report their beneficial owners and establishes a new whistleblower program. We are not subject to the NDAA's requirements but will monitor any developments resulting from the passage of the NDAA. Anti-money laundering laws outside of the United States contain some similar provisions. Additionally, other federal laws and regulations, including the Foreign Corrupt Practices Act and regulations issued by the Office of Foreign Asset's Controls, as well as the U.K.'s Bribery Act of 2010, have increased requirements relating to identifying customers, prohibiting transactions with certain organizations or individuals, watching for and reporting suspicious transactions, responding to requests for information by regulatory authorities and law enforcement agencies, sharing information with other financial institutions, and requiring the implementation and maintenance of internal practices, procedures, and controls.

We are subject to federal income, employment, excise and other taxes related to both our U.S. and our foreign operations. On December 22, 2017, the U.S. Federal government enacted a tax bill, H.R.1, An Act to Provide Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, more commonly known as the Tax Cuts and Jobs Act (TCJA). The key provisions of the TCJA relevant to us are as follows:

- Establishes a corporate income tax rate of 21 percent;
- Creates a territorial tax system rather than a worldwide system, which will generally allow companies to repatriate future foreign source earnings without incurring additional U.S. taxes by providing a 100 percent exemption for the foreign source portion of dividends from certain foreign subsidiaries;
- Subjects undistributed and previously untaxed foreign earnings and profits to a one-time transition tax also referred to as a deemed repatriation toll charge;
- Creates a U.S. shareholder tax on certain foreign subsidiary income above a routine equity return on tangible depreciable business assets (Global Intangible Low-taxed Income);
- Decreases tax-deductible life and property and casualty insurance reserves;
- Increases the amount and amortization period of acquisition costs capitalized for tax purposes;
- Reduces the maximum deduction for net operating loss (NOL) carryforwards arising in companies other than non-life insurance companies in tax years beginning after 2017 to a percentage of the taxpayer's taxable income. It also allows any NOLs generated in tax years beginning after December 31, 2017 to be carried forward indefinitely and repeals carrybacks. NOL provisions for non-life insurance companies remain unchanged from current law;
- Allows businesses to immediately write off the cost of new investments in certain qualified depreciable assets made after September 27, 2017 subject to phase downs starting in 2023;
- Eliminates or reduces certain deductions (including deductions for certain compensation arrangements, certain payments made to governments for violations of law and certain legal settlements), exclusions and credits and adds other provisions that broaden the tax base; and
- Creates a new base erosion anti-abuse tax (BEAT) that subjects certain payments made by a U.S. company to a related foreign company to additional taxes.

See "Executive Summary" and "Liquidity and Capital Resources" contained herein in Item 7 and Notes 7 and 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for discussion of the impact to our financial position and results of operations as a result of these changes.

Federal tax laws and regulations are subject to change, and any such change could materially impact our federal taxes and reduce profitability as well as capital levels in our insurance subsidiaries. We continually monitor federal tax legislative and regulatory developments to understand their potential impact on our profitability.

For further discussion of regulation, refer to "Risk Factors" contained herein in Item 1A.

## **Geographic Areas**

Adjusted operating revenue, which excludes net realized investment gains and losses, for our Unum International segment was approximately 6 percent of our consolidated adjusted operating revenue in 2020, 2019, and 2018. As of December 31, 2020, total assets equaled approximately 6 percent of consolidated assets and total liabilities equaled approximately 5 percent of consolidated liabilities for our Unum International segment. Fluctuations in the U.S. dollar relative to the local currencies of our Unum International segment will impact our reported operating results. See "Risk Factors" contained herein in Item 1A and "Quantitative and Qualitative Disclosures About Market Risk" contained herein in Item 7A for further discussion of fluctuations in foreign currency exchange rates. See "Reporting Segments" contained herein in this Item 1; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7; and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of Unum International's operating results.

## **Human Capital Resources**

### *Human Capital*

Unum is built on the promise of helping the working world thrive throughout life's moments, an inspiring purpose that requires harnessing the creativity and energy of our employees. As of December 31, 2020, the Company employed approximately 10,700 employees, of which, approximately 10,300 are full-time employees. Approximately 89 percent of our employees are in the United States, and the remaining 11 percent are international (United Kingdom, Ireland and Poland). Voluntary employee turnover for 2020 was approximately 9.4 percent, a decrease from the prior year.

During 2020, as the COVID-19 pandemic accelerated across the U.S., we quickly and effectively transitioned the majority of our employees to remote work. We also implemented protocols and precautions for a limited portion of staff to work in the office. A key tenet of our strategy was to ensure employee health and safety, while also maintaining operational readiness and flexible work options. Our international locations each created strategies based on their local environment.

### *Compensation and Benefits*

At Unum, we provide compensation and benefits programs which support our employees' health, wealth and life. In addition to competitive pay, other programs (which vary by country/region) include: annual bonus and employee recognition; stock awards and stock purchase; life, medical, pharmacy, telehealth, health reimbursement accounts; dental, vision, voluntary benefits and disability insurance; tuition and fitness reimbursement; 401(k) plan, financial education, and planning support; student debt relief; employee assistance program, family building; paid time off and caregiver leave, paid parental leave; on-site health resource centers and fitness centers and subsidized healthy food choices.

### *Inclusion and Diversity*

The Company strives to create a workplace culture that attracts and retains the great talent needed to deliver for our customers, who represent a cross-section of society and its different communities, ethnic backgrounds, socioeconomic perspectives and physical abilities. Unum believes the best way to meet the needs of its customers and make better decisions is to reflect their diversity in our own workforce. Of our more than 10,700 employees, 66 percent identify as female; and 17 percent of employees (excluding Poland) identify as members of a minority group.

Unum embraces the unique talents of every team member and helps them reach their full potential. Unum's culture is built on a foundation of workplace values and principles called We Are Unum, a roadmap that outlines what employees bring to work each day and what they get from the Company in return.

In addition, Unum has a dedicated Office of Inclusion & Diversity focused on driving strategies to create a culture where inclusivity is an expectation for every employee and leader. We partner with diverse stakeholders to increase awareness and

provide guidance to help operationalize inclusion through resources, programs and policies that enhance the company's workforce culture.

The Company has five Employee Resource Groups made up of more than 1,400 employee volunteers who seek to:

- ensure inclusion becomes embedded within the Unum culture;
- create an inclusive environment for all diverse employees;
- support employees with disabilities;
- promote thoughtful discussions that advocate for all racially and ethnically diverse people;
- create an inclusive workplace, free of conscious or unconscious bias;
- ensure the workplace is free of discrimination against and harassment of people based on their gender identity, gender expression and sexual orientation;
- help veterans transition to the workplace and develop their careers; and
- increase women in leadership positions through professional and career development.

Unum has established an expectation for all people leaders to embed inclusion and diversity into their performance goals. By embracing shared ownership for inclusion and diversity, leaders help drive inclusion at all levels.

Unum's ability to proactively attract, develop and retain diverse, top talent is a critical component of our success. Our talent acquisition area utilizes selection technology with AI capability that gives each candidate a customized recruiting experience. We are committed to diverse hiring and have embedded various initiatives within our selection process that allow us to drive positive results. The talent acquisition area actively partners with our office of I&D to ensure they utilize a multi-prong approach to attract and retain diverse talent. Our recruiters are certified diversity recruiters and have received specialized training in unconscious bias; new recruiters complete this process during their first 90 days of employment. Unum actively partners with various national diverse organizations and associations to support diverse hiring at all levels.

### ***Learning and Development***

At Unum, we place a strong emphasis on training and professional development for all levels of our workforce, so people of every background have the tools to reach their full potential. All employees have one-to-one coaching sessions with their managers. On a quarterly basis, managers summarize conversations with meaningful documentation on key accomplishments, progress toward goals, and other areas of focus, including career development. Managers and employees also review next steps to help align activities with company goals. We believe continuous coaching conversations help all employees and managers work more effectively.

Here are some examples of our commitment to the growth and development of our employees:

- Career development workshops: For the employees who participated in career development workshops in 2019, approximately 31 percent had a promotion or lateral move either later in 2019 or during 2020, and 100 percent of managers felt prepared to more effectively navigate their career following the workshop.
- Managers as Coaches: We provide all people managers with workshops and development opportunities that focus on building coaching capabilities, with a goal of elevating workforce performance.
- Multicultural Leadership Development Program: This program focuses on championing equity and opportunity by preparing racially diverse employees to advance to higher levels of leadership.
- Actuarial Development Program (ADP), Accounting and Finance Development Program (AFDP) and Professional Development Program (PDP): These are multi-year rotational programs that focus on preparing participants to become future leaders of our company. ADP and AFDP focus on developing both leadership and technical skills, while PDP focuses primarily on developing leadership skills and broad operational experience.
- LinkedIn Learning (LIL): All employees have access to Unum's LIL platform, which provides our employees access to videos, articles and training options in everything from improving technical skills to enhancing leadership abilities.
- Leader Academy: An online program which is available to managers, leaders or any employee interested in moving into a management role. Each quarter, participants learn about interpersonal effectiveness, elevating performance, strategic decision-making and leading change.

We recognize that our employees are an important asset. Therefore, it is imperative that we continue to focus on the growth and development of our workforce in a meaningful way, and provide them with the necessary support to achieve their career goals.

## ***Employee Engagement***

To ensure our employees are engaged and are effectively delivering on our mission and meeting our customers' needs, we regularly conduct confidential employee surveys to obtain feedback and gain insights from our employees. These surveys are thoughtfully considered and actioned by leadership. We are committed to our employees' growth and development and embrace the diversity of ideas for improvement. In our employee survey conducted in 2020, a total of 9,910 employees responded and approximately 84 percent of those employees indicated favorable engagement and would recommend Unum as a great place to work.

## **Available Information**

Our internet website address is [www.unum.com](http://www.unum.com). We make available, free of charge, on or through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material with the Securities and Exchange Commission.

## **Information about our Executive Officers**

Our executive officers and persons chosen to become executive officers as of the date hereof are listed below. Our executive officers, who are also executive officers of certain of our principal subsidiaries, were appointed by Unum Group's board of directors to serve until their successors are chosen and qualified or until their earlier resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard P. McKenney	52	President and Chief Executive Officer and a Director
Steven A. Zabel	52	Executive Vice President, Chief Financial Officer
Michael Q. Simonds	47	Executive Vice President, Chief Operating Officer
Elizabeth A. Ahmed	46	Executive Vice President, People and Communications
Timothy G. Arnold	58	Executive Vice President, Voluntary Benefits and President, Colonial Life
Puneet Bhasin	58	Executive Vice President, Chief Information and Digital Officer
Lisa G. Iglesias	55	Executive Vice President, General Counsel
Martha D. Leiper	58	Executive Vice President, Chief Investment Officer
Peter G. O'Donnell	54	Executive Vice President, Unum International
Christopher W. Pyne	51	Executive Vice President, Group Benefits
Mark P. Till	53	Executive Vice President and CEO Designate, Unum International

Mr. McKenney became President in April 2015 and Chief Executive Officer in May 2015. He served as Executive Vice President and Chief Financial Officer from August 2009 until April 2015, having joined the Company in July 2009. Before joining the Company, Mr. McKenney served as Executive Vice President and Chief Financial Officer of Sun Life Financial Inc., an international financial services company, from February 2007, having joined that company as Executive Vice President in September 2006.

Mr. Zabel became Executive Vice President, Chief Financial Officer in July 2019. He previously served as Senior Vice President and President, Closed Block Operations from July 2015 to July 2019 and as Senior Vice President, Chief Risk Officer from August 2013 to July 2015. Prior to joining the Company in August 2013, he served in various senior roles at Genworth Financial, Inc. from 2004, including Senior Vice President of Long-Term Care Insurance, Chief Financial Officer for Insurance Products, and Senior Vice President of Corporate Audit Services. Before that, he was responsible for financial reporting and rating agency relationships at Americo Life, Inc. and managed life and health insurance audit engagements at Ernst & Young LLP.

Mr. Simonds was named Executive Vice President, Chief Operating Officer in February 2020. Prior to that, he served as Executive Vice President, President and Chief Executive Officer, Unum US from July 2013, after having served as Senior Vice President and Chief Operating Officer, Unum US from June 2012. He previously served as Senior Vice President, Growth Operations, Unum US from July 2010, and as Senior Vice President and Chief Marketing Officer, Unum US from March 2008. Mr. Simonds originally joined a Unum Group predecessor company in 1994, left the Company in 2000 to pursue his MBA, and rejoined the Company in 2003 after serving as a consultant with McKinsey & Company, a global management consulting firm.

Ms. Ahmed was named Executive Vice President, People and Communications upon joining the Company in October 2018. She served as Executive Vice President, Chief Human Resources Officer, at AmTrust Financial Services, Inc., a multinational insurance holding company, from May 2015 to October 2018. Prior to that, she served as Vice President of Human Resources at Equity Trust Company, a financial services company, from May 2012 to May 2015, and as Senior Vice President of Human Resources at PNC Bank, a diversified financial services institution, from August 2008 to May 2012.

Mr. Arnold was named Executive Vice President, Voluntary Benefits and President, Colonial Life in February 2020. Prior to that, he served as Executive Vice President, President and Chief Executive Officer, Colonial Life from January 2015, and before that, as Executive Vice President, President, Colonial Life from July 2014. He previously served as Senior Vice President, Sales and Marketing, Colonial Life from August 2012, as Senior Vice President, Chief Operations Officer, Colonial Life from July 2011, and as Senior Vice President, Integrated Underwriting, Unum US from May 2010. Mr. Arnold originally joined a Unum Group predecessor company in 1985.

Mr. Bhasin was named Executive Vice President, Chief Information and Digital Officer after joining the Company in March 2018. He served as Executive Vice President, Corporate Operations and Recycling at Waste Management, Inc., a waste management environmental services provider, from November 2015 to March 2017. While at Waste Management, he also served as Senior Vice President, Corporate Operations from November 2014, Chief Information Officer and Senior Vice President, Technology, Logistics and Customer Service from August 2012, and Senior Vice President and Chief Information Officer from December 2009.

Ms. Iglesias was named Executive Vice President, General Counsel upon joining the Company in January 2015. She served as Senior Vice President, General Counsel and Secretary of WellCare Health Plans, Inc., a managed care company, from February 2012 to December 2014, having first joined WellCare in February 2010 as Vice President, Securities and Assistant General Counsel. Prior to that, she served as General Counsel and Corporate Secretary for Nordstrom, Inc., a fashion specialty retailer, from 2007 to 2008, and as General Counsel and Secretary of Spherion Corporation, a recruiting and staffing company, from 1999 to 2007.

Ms. Leiper was appointed Executive Vice President, Chief Investment Officer of the Company in October 2019. She joined the Company from USAA, a provider of financial services to the military community, where she served as Senior Vice President, Corporate Finance and Enterprise Money Movement from October 2016 to October 2019 and, before that, as Senior Vice President, Corporate Finance and Investments from May 2015 to September 2016 and Senior Vice President, Chief Investment Officer from May 2010 to May 2015. Ms. Leiper previously worked at Unum Group (including predecessor companies) beginning in 1985, holding leadership roles of increasing responsibility, including Senior Vice President and Deputy Chief Investment Officer from January 2006 to May 2010.

Mr. O'Donnell was named Executive Vice President, Unum International in February 2020. As previously announced, Mr. O'Donnell will be leaving the Company following the end of the first quarter of 2021. Prior to his most recent position, he held the position of Executive Vice President and Chief Executive Officer, Unum International from October 2018 when the reporting segment was previously known as Unum UK. He previously served as President and Chief Executive Officer, Unum UK, from September 2012, after having joined the Company as Unum Limited's Chief Financial Officer in 2010. Prior to joining Unum Limited, Mr. O'Donnell served as Director of Group Finance at Prudential plc, an international financial services company, from May 2008 to May 2010. He served as Finance director at Royal & SunAlliance plc, an international financial services company, from May 2005 to May 2008.

Mr. Pyne was named Executive Vice President, Group Benefits in February 2020. He previously served as Senior Vice President, Growth Operations and Distribution from June 2018 to January 2020 and as Senior Vice President, Sales and Client Management from June 2011 to June 2018. Before that, Mr. Pyne held positions of increasing responsibility within the Company's U.S. distribution organization, including Vice President, Sales from January 2011 to May 2011 and Vice President, Managing Director from January 2008 to December 2010. Mr. Pyne joined a Unum Group predecessor company in 1992.

Mr. Till has served as Executive Vice President and CEO Designate, Unum International since joining the Company in February 2021. He has been named to serve as Executive Vice President and Chief Executive Officer, Unum International in April 2021 following Mr. O'Donnell's planned departure at the end of the first quarter of 2021. Prior to joining the Company, Mr. Till served from July 2020 to January 2021 as Managing Director, Platform Solutions at Aegon, an international financial services organization, in the U.K. (Aegon UK). While at Aegon UK, he served as Managing Director, Digital Solutions from May 2018 to July 2020, as Chief Distribution and Marketing Officer from June 2016 to May 2018, and as Managing Director, Customer Value Management from September 2015 to June 2016. He previously served as Head of Personal Investing and



Marketing Director for Fidelity International from January 2012 to February 2015. Mr. Till has also held senior positions with Standard Life, HomeServe PLC and Barclays Bank.

## **ITEM 1A. RISK FACTORS**

### ***Overview***

We face a wide range of risks, and our continued success depends on our ability to identify and appropriately manage our risk exposures. Discussed below are factors that may adversely affect our business, results of operations, or financial condition. Any one or more of the following factors may cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company, including those in this document or made by us elsewhere, such as in earnings release investor calls, investor conference presentations, or press releases. See "Cautionary Statement Regarding Forward-Looking Statements" contained herein on page 1.

### **COVID-19**

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

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

We may experience significant lapse activity related to both our group and individual customers due to a rise in unemployment levels, the deterioration of economic conditions, and the general uncertainty regarding the financial situation of our customers. This may put strain on our liquidity and capital position and may also result in a decline in both premium income and persistency, particularly if customers do not ultimately return following a lapse. Further, adverse economic conditions may adversely affect the discretionary spending of current or potential customers, which may result in lower sales or other negative changes to customer purchasing patterns.

Depending on the duration and severity of the current economic uncertainty, we may experience an increase in COVID-19-related deaths which could result in higher mortality within our life product lines. In addition, we may experience higher claim rates in our short-term disability products and higher expenses related to our leave management services.

In response to the disruptive economic effects of the COVID-19 pandemic, the Federal Reserve has taken actions to reduce interest rates, and the potential for a sustained low interest rate environment is magnified by the effects of COVID-19 on economic conditions. Further declines in interest rates or the continuance of low interest rates may place substantial pressure on our profit margins as well as on the discount rates used to calculate our insurance liabilities. Furthermore, the current economic conditions may result in the inability for companies to make interest and principal payments on their debt securities or mortgage loans that we hold for investment purposes. Accordingly, although we maintain a disciplined approach regarding our overall investment strategy, we may still incur significant losses that can result in a decline in net investment income and/or material increases in credit losses on our investment portfolio. With respect to commercial real estate, there could be potential impacts to estimates of expected losses resulting from lower underlying values, reflecting current market conditions at that time.

If we experience unfavorable developments related to our revenues, benefits, or expenses as described above, we may correspondingly experience adverse impacts to our overall future profitability and growth, which may alter the timing and magnitude of our plans for overall business expansion. In addition, these unfavorable developments may result in the write-off or impairment of intangible/long-lived assets such as deferred acquisition costs (DAC), value of business acquired, and goodwill, or the establishment of a valuation allowance regarding the realization of our deferred tax assets.

Although we have access to significant amounts of liquidity, which include credit facilities, FHLB arrangements, and the ability to liquidate certain investments, it may be insufficient or even inaccessible if we are not in compliance with required covenants

under our borrowing arrangements or if the associated lenders are unable to provide funds. In addition, if investment markets become illiquid or severely impaired, we may be unable to liquidate our investments in a timely and advantageous manner.

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

See "Executive Summary", "Segment Operating Results", and "Liquidity and Capital Resources" included herein in Part 2, Item 7 under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion.

To the extent the COVID-19 pandemic adversely affects our business, financial position, results of operations, liquidity and capital resources, and overall business operations, it may also have the effect of heightening many of the other risks disclosed herein this Item 1A "Risk Factors".

### **Market and Credit Risks**

***Sustained periods of low interest rates in the long-term investment market may adversely affect our reported net investment income and the discount rates used in reserving for our insurance products and projecting our pension obligations, which may adversely affect our results of operations or financial condition.***

Declines in interest rates and/or the continuance of the current level of low interest rates and yields on fixed income investments may cause the rates of return on our investment portfolio to decrease more than expected, leading to lower net investment income than assumed in the pricing and reserving for our insurance products. An interest, or discount, rate is used in calculating reserves for our insurance products. We set our GAAP reserve discount rate assumptions based on our current and expected future investment yield for assets supporting the reserves, considering current and expected future market conditions. If the discount rate assumed in our reserve calculations is higher than our future investment returns, our invested assets will not earn enough investment income to support our future claim payments. In that case, the reserves may eventually be insufficient, resulting in the need to increase our reserves and/or contribute additional capital to our insurance subsidiaries, either of which could have a material adverse effect on our results of operations or financial condition. Similarly, we are required to perform annual adequacy testing, that considers multiple interest rate scenarios, to ensure our statutory reserves continue to meet statutory requirements, which could also require us to increase to our statutory reserves and/or contribute additional capital.

Our net periodic benefit costs and the value of our benefit obligations for our pension plans are determined based on a set of economic and demographic assumptions that represent our best estimate of future expected experience. Major assumptions used in accounting for these plans include the expected discount (interest) rate and the long-term rate of return on plan assets. We set the discount rate assumption at the measurement date for each of our plans to reflect the yield of a portfolio of high quality fixed income corporate debt instruments matched against the timing and amounts of projected future benefits. A lower discount rate increases the present value of benefit obligations and increases our costs. Our expectations for the future investment returns on plan assets are based on a combination of historical market performance, current market conditions, and future capital market assumptions obtained from external consultants and economists. The actual rate of return on plan assets is determined based on the fair value of the plan assets at the beginning and end of the measurement period. Increases or decreases in long-term interest rates as well as equity market volatility will impact the fair value of our plan assets and may result in a decrease in the funded status of our pension plans and/or increased pension costs, which may adversely affect our results of operations, financial condition, or liquidity.

***Unfavorable economic or market conditions may result in lower sales, lower premium growth and persistency, higher claims incidence, unfavorable mortality, and longer claims duration, which may adversely affect our results of operations or financial condition.***

We are affected by conditions in the capital markets and the general economy, primarily in the United States, the United Kingdom, Poland, and to a lesser extent, the broader global financial markets. Negative developments in the capital markets and/or the general economy could adversely affect our business and results of operations.

In particular, factors such as unemployment levels, consumer confidence levels, consumer spending, business investment, government spending, the volatility and strength of the capital markets, inflation, pandemics, and the threat of terrorism all affect the business and economic environment and, ultimately, the amount and profitability of our businesses. Given the nature of our products, in an economic environment characterized by higher unemployment, lower personal income, reduced consumer spending, and lower corporate earnings and investment, new product sales may be adversely affected. Our premium growth may also be negatively impacted by lower premium growth from existing customers due to lower salary growth and lower growth in the number of employees covered under an existing policy. In addition, during such periods we may experience higher claims incidence, longer claims duration, and/or an increase in policy lapses, any of which could have a material adverse effect on our results of operations or financial condition.

***In addition to interest rate risk as previously discussed, we are exposed to other risks related to our investment portfolio which may adversely affect our results of operations, financial condition, or liquidity.***

### ***Default Risk***

Our investment portfolio consists primarily of fixed maturity securities. These securities are issued by both domestic and foreign entities and are backed either by collateral or the credit of the underlying issuer. Factors such as an economic downturn or political change in the country of the issuer, a regulatory change pertaining to the issuer's industry, a significant deterioration in the cash flows of the issuer, unforeseen accounting irregularities or fraud committed by the issuer, widening risk spreads, ratings downgrades, a change in the issuer's marketplace or business prospects, or other events that adversely affect the issuers of these securities may result in the issuer defaulting on its obligations.

Our mortgage loan portfolio has default risk. Events or developments, such as economic conditions that impact the ability of tenants to pay their rents or limit the availability of refinancing, may have a negative effect on our mortgage loan portfolio. Events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on an investment portfolio to the extent that the portfolio is concentrated in that region or sector.

A default results in the recognition of an impairment loss on the investment. A default may also adversely affect our ability to collect principal and interest due to us. The probability of credit downgrades and defaults increases when the fixed income markets experience periods of volatility and illiquidity.

### ***Credit Spread Risk***

Our exposure to credit spreads, which is the yield above comparable U.S. Treasury securities, primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads may unfavorably impact the net unrealized gain or loss position of the investment portfolio and may adversely impact liquidity. Credit spread tightening may reduce net investment income associated with new purchases of fixed income securities.

### ***Valuation Risk***

We report our fixed maturity securities and certain other financial instruments at fair value. Valuations may include inputs and assumptions that are less observable or require greater estimation, particularly during periods of market disruption, resulting in values which may be less than the value at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported in our financial statements, and the period to period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

We evaluate our investment portfolio for credit losses. There can be no assurance that we have accurately assessed the level of credit losses taken. Additional credit losses may need to be taken in the future, and historical trends may not be indicative of future credit losses. Any event reducing the value of our securities may have a material adverse effect on our business, results of operations, or financial condition.

### ***Market Timing and Liquidity Risk***

While 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, there may at times be a lack of appropriate investments in the market which can be

acquired. In particular, due to the long duration of our long-term care product, the timing of our investment cash flows do not match those of our maturing liabilities. In addition, we may, in certain circumstances, need to sell investments due to changes in regulatory or capital requirements, changes in tax laws, rating agency decisions, and/or unexpected changes in liquidity needs. There may also be a limited market for certain of our investments, such as our private placement fixed maturity securities, mortgage loans, and policy loans, which makes them more illiquid. In periods of market volatility or disruption, other of our securities may also experience reduced liquidity. If events occur wherein we need to sell securities in an unfavorable interest rate or credit environment or need to quickly sell securities which are illiquid, market prices may be lower than what we might realize under normal circumstances, with a resulting adverse effect on our results of operations, financial condition, or liquidity.

***Reinsurance may not be available or affordable, or reinsurers may be unwilling or unable to meet their obligations under our reinsurance contracts, which may adversely affect our results of operations or financial condition.***

As part of our overall risk management and capital management strategies, we purchase reinsurance for certain risks underwritten by our various businesses. We also utilize reinsurance to exit certain lines of business. Market conditions beyond our control determine the availability and cost of reinsurance. Any decrease in the amount of reinsurance will increase our risk of loss and may impact the level of capital requirements for our insurance subsidiaries, and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our results of operations. Accordingly, we may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms, which may adversely affect our ability to write future business, result in the assumption of more risk with respect to the policies we issue, and increase our capital requirements. The collectibility of our reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. We cannot provide assurance that our reinsurers will pay the reinsurance recoverables owed to us or that they will pay these recoverables on a timely basis. The insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract may have an adverse effect on our results of operations or financial condition.

***The effectiveness and utilization of our hedging programs may be affected by changes in the economic environment, changes in interest rates, capital market volatility, non-performance by our counterparties, changes in the level of required collateral, or regulation, which may adversely affect our results of operations, financial condition, or liquidity.***

We use derivative financial instruments to help us manage certain risks related to our business operations, primarily foreign currency risk, interest rate risk, and risk related to matching duration for our assets and liabilities. Factors associated with derivative financial instruments could adversely affect our results of operations, financial condition, or liquidity. Ineffectiveness of our hedges due to changes in expected future events, such as the risk created by uncertainty in the economic environment or if our counterparties fail or refuse to honor their obligations under these derivative instruments, may have a material adverse effect on our results of operations or financial condition. Capital market turmoil may result in an increase in the risk of non-performance by our counterparties, many of which are financial institutions. Non-performance by our counterparties may force us to unwind hedges, and we may be unable to replace the hedge, thereby leaving the risk unhedged. Under the terms of our hedging contracts, we are required to post collateral and to maintain a certain level of collateral, which may adversely affect our liquidity and could subject us to the credit risk of the counterparty to the extent it holds such collateral. Changes in regulations may have an adverse effect on our ability to execute hedging strategies due to the increased economic cost of derivatives, primarily as a result of more restrictive collateral requirements.

#### ***London Interbank Offered Rate (LIBOR) transition***

We are continuing to monitor the developments surrounding the transition from LIBOR. We have evaluated our existing financial arrangements which primarily include investments, derivatives, and debt agreements and also have evaluated our insurance and reinsurance contracts and have determined that we will not be impacted significantly from this transition. In those circumstances where we do have financial or other contracts that are impacted by the LIBOR transition, we are appropriately modifying those contracts to reference a suitable alternative rate or are comfortable with the existing fallback language in those contracts.

***Currency translation could materially impact our reported operating results.***

The functional currency of our U.K. and Polish operations is the British pound sterling and the Polish zloty, respectively. Fluctuations in exchange rates have an effect on our reported financial results, which may be unfavorably impacted when the functional currency weakens. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert our functional currency 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 or Poland.

See "Reserves for Policy and Contract Benefits" contained herein in Item 1, "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, "Interest Rate Risk" contained herein in Item 7A, and Notes 1, 2, 3, 4 and 9 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

## **Insurance Risks**

***Actual experience may differ from our reserve assumptions which may adversely affect our results of operations or financial condition.***

Historical results may not be indicative of future performance due to, among other things, changes in our mix of business, re-pricing of certain lines of business, or any number of economic cyclical effects on our business. Reserves, whether calculated under GAAP or statutory accounting principles, do not represent an exact calculation of future benefit liabilities but are instead estimates made by us using actuarial and statistical procedures. Actual experience may differ from our reserve assumptions. There can be no assurance that our reserves will be sufficient to fund our future liabilities in all circumstances. Future loss development may require reserves to be increased, which would adversely affect earnings in current and future periods. Life expectancies may continue to increase, which could lengthen the time a claimant receives disability or long-term care benefits and could result in a change in mortality assumptions and an increase in reserves for these and other long-tailed products. Adjustments to reserve amounts may also be required in the event of changes from the assumptions regarding future morbidity (which represents the incidence of claims and the rate of recovery, including the effects thereon of inflation and other societal and economic factors); premium rate increases; persistency; policy benefit offsets, including those for social security and other government-based welfare benefits; and interest rates used in calculating the reserve amounts, which could have a material adverse effect on our results of operations or financial condition.

***We provide a broad array of disability, long-term care, group life, and voluntary insurance products that are affected by many factors, and changes in any of those factors may adversely affect our results of operations, financial condition, or liquidity.***

### ***Disability Insurance***

Disability insurance may be affected by a number of social, economic, governmental, competitive, and other factors. Changes in societal attitudes, such as work ethic, motivation, or stability, can significantly affect the demand for and underwriting results from disability products.

Both economic and societal factors can affect claim incidence and recoveries for disability insurance. Claim incidence and claim recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence. Claim incidence and claim recovery rates may also be influenced by the emergence of new infectious diseases or illnesses. Claim durations may be extended by medical improvements which could extend life expectancies. The relationship between these and other factors and overall incidence is very complex and will vary due to contract design features and the degree of expertise within the insuring organization to price, underwrite, and adjudicate the claims.

Within the group disability market, pricing and renewal actions can be taken to react to higher claim rates. However, 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 pricing actions available in the individual disability market differ among product classes. Our individual noncancelable disability policies, in which the policy is guaranteed to be renewable through the life of the policy at a fixed premium, do not permit us to adjust premiums on our in-force business. Guaranteed renewable contracts that are not noncancelable can be re-priced to reflect adverse experience, but rate changes cannot be implemented as quickly as in the group disability market.

### ***Long-term Care Insurance***

Long-term care insurance can be affected by a number of demographic, medical, economic, governmental, competitive, and other factors. Because long-term care insurance is a relatively new product for the insurance industry and is long-duration in nature, there is not as much historical data as is available for our other products, especially at advanced ages. This creates a level of uncertainty in properly pricing the product and using appropriate assumptions when establishing reserves. Long-term

care insurance is guaranteed renewable and can be re-priced to reflect adverse experience, but the re-pricing is subject to regulatory approval by our states of domicile and may also be subject to approval by jurisdictions in which our policyholders reside. The rate approval process can affect the length of time in which the re-pricing can be implemented, if at all, and the rate increases ultimately approved may be unfavorable relative to assumptions used to establish our reserves. We monitor our own experience and industry studies concerning morbidity, mortality, and policyholder terminations to understand emerging trends. Changes in actual experience relative to our expectations may adversely affect our profitability and reserves. To the extent mortality improves for the general population, and life expectancies increase, the period for which a claimant receives long-term care benefits may lengthen and the associated impact of advanced aging of policyholders may cause an increase in claims incidence. Medical advances may continue to have an impact on claim incidence and duration, both favorable and unfavorable. Due to the long duration of the product, the timing and/or amount of our investment cash flows are difficult to match to those of our maturing liabilities. Sustained periods of low or declining interest rates could result in increases in reserves and adversely affect our results of operations.

### ***Group Life Insurance***

Group life insurance may be affected by the characteristics of the employees insured, the amount of insurance employees may elect voluntarily, our risk selection process, our ability to retain employer groups with favorable risk characteristics, the geographical concentration of employees, and mortality rates. Claim incidence may also be influenced by unexpected catastrophic events such as terrorist attacks, natural disasters, and pandemic health events, which may also affect the cost of and availability of reinsurance coverage.

### ***Voluntary Products***

Voluntary products sold in the workplace may be affected by the characteristics of the employees insured, the level of employee participation and the amount of insurance the employees elect, our risk selection process, and our ability to retain employer groups with favorable risk characteristics. A portion of our voluntary life insurance products include interest sensitive forms of insurance which contain a guaranteed minimum interest crediting rate. It is possible that our investment returns could be lower than the guaranteed crediting rate. While a significant portion of our non-life contracts are optionally renewable, some are guaranteed renewable and can be repriced to reflect adverse experience, but rate changes cannot be implemented as quickly as for group disability and group life products.

### ***We have assets which may not be fully recoverable or realizable, which could adversely affect our results of operations or financial condition.***

If our business does not perform well or as initially anticipated in our assumptions, we may be required to accelerate amortization or recognize an impairment loss on intangible assets or long-lived assets or to establish a valuation allowance against the deferred income tax asset.

We have intangible assets such as DAC, value of business acquired (VOBA), and goodwill. DAC and VOBA are amortized based primarily upon expected future premium income of the related insurance policies. Recoverability testing for DAC and VOBA is performed on an annual basis. Insurance contracts are grouped on a basis consistent with our manner of acquiring, servicing, and measuring profitability of the contracts. If recoverability testing indicates that either DAC and/or VOBA are not recoverable, the deficiency is charged to expense.

Goodwill is not amortized, but on an annual basis, or more frequently if necessary, we review the carrying amount of goodwill for indications of impairment, considering in that review the financial performance and other relevant factors. In accordance with accounting guidance, we test for impairment at either the operating segment level or one level below. In addition, certain events including, but not limited to, a significant adverse change in legal factors or the business environment, an adverse action by a regulator or rating agency, or unanticipated competition would cause us to review goodwill for impairment more frequently than annually.

Long-lived assets, including assets such as real estate and information technology software, also may require impairment testing to determine whether changes in circumstances indicate that we may be unable to recover the carrying amount.

We assess our deferred tax assets to determine if they are realizable. Factors in our determination include the performance of the business, including the ability to generate future taxable income. If based on available information, it is more likely than not that the deferred income tax asset will not be realized, a valuation allowance is established with a corresponding charge to net income.

Charges such as accelerated amortization, impairment losses, or the establishment of valuation allowances could have a material adverse effect on our results of operations or financial condition.

See "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

### **Operational Risks**

***A cyber attack or other security breach could disrupt our operations, result in the unauthorized disclosure or loss of confidential data, damage our reputation or relationships, and expose us to significant financial and legal liability, which may adversely affect our business, results of operations, or financial condition.***

We store confidential information about our business and our policyholders, employees, agents and others on our information technology systems, including proprietary and personally identifiable information. As part of our normal business operations, we use this information and engage third-party providers, including outsourcing, cloud computing, and other business partners, that store, access, process, and transmit such information on our behalf. We devote significant resources and employ security measures to help protect our information technology systems and confidential information, and we have programs in place to detect, contain, and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we and our third-party providers may be unable to anticipate these techniques or implement adequate preventative measures. In addition, hardware, software, or applications we develop or procure from third parties or through open source solutions may contain defects in design or manufacture or other problems that could unexpectedly compromise our information security. Unauthorized parties, whether within or outside our company, may disrupt or gain access to our systems, or those of third parties with whom we do business, through human error, misfeasance, fraud, trickery, or other forms of deceit, including break-ins, use of stolen credentials, social engineering, phishing, or other cyber attacks, computer viruses, malicious codes, and similar means of unauthorized and destructive tampering.

We and our third-party providers have experienced and likely will continue to experience information security incidents from time to time. Although known incidents have not had a material effect on our business or financial condition, there is no assurance that our security systems and measures will be able to prevent, mitigate, or remediate future incidents that could have such an effect. A successful penetration or circumvention of the security of our information technology systems, or those of third parties with whom we do business, could cause serious negative consequences for us, including significant disruption of our operations, unauthorized disclosure or loss of confidential information, harm to our brand or reputation, loss of customers and revenues, violations of privacy and other laws, and exposure to litigation, monetary damages, regulatory enforcement proceedings, fines, and potentially criminal proceedings and penalties. If we are unaware of the incident for some time after it occurs, our exposure could increase. In addition, the costs to address or remediate systems disruptions or security threats or vulnerabilities, whether before or after an incident, could be significant. As we continue to build our digital capabilities and focus on enhancing the customer experience, the amount of information that we retain and share with third parties, as well as our reliance on them, is likely to grow, increasing the cost to prevent data security breaches and the cost and potential consequences of such breaches. An information technology systems failure could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Further, successful cyber-attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer and investor confidence in financial institutions that could negatively affect us.

Although we have insurance against some cyber risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits, are subject to deductibles or are not covered under any of our current insurance policies.

***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 could adversely affect our profitability, results of operations, or financial condition.***

In the event of a disaster such as a natural catastrophe, an epidemic/pandemic, a cyber attack, cyber security breach or other information technology systems failure, a terrorist attack, or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition, particularly if those problems affect our information technology systems and destroy valuable data or result in a significant failure of our internal control environment. In addition, in the event that a significant number of our employees were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised.

The failure of our information technology and/or disaster recovery processes or systems for any reason could cause significant interruptions or malfunctions in our or our customers' operations and result in the loss, theft, or failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions, legal claims, and increased expenses, and lead to a loss of customers and revenues.

***Our failure to develop digital capabilities or to effectively execute upgrades to or replacements of information technology systems could impair our ability to deliver on our growth initiatives or administer our business, which may adversely affect our business, results of operations, or financial condition.***

Our business plans increasingly rely on digital capabilities to meet or surpass customer expectations, simplify our operations, and deliver innovative product and service offerings. If we are unable to effectively develop and offer digital capabilities that enhance our customers' experience, we may not fully achieve our strategic growth initiatives and may also experience the loss of existing business. Although we believe we have information technology systems which adequately support our business needs, we continually upgrade our existing information technology systems and acquire or develop new systems to keep pace with the rapidly changing business and technology environment. There are risks involved with upgrading or replacing information technology systems, including, but not limited to, data loss, data errors, and disruption to our operations. We seek to monitor and control our exposure to the risks arising out of these activities through our risk control framework which encompasses a variety of reporting systems, internal controls, management review processes, and other mechanisms.

***Unum Group depends on funds from its subsidiaries to meet its obligations and pay dividends. The ability of our subsidiaries to transfer funds to Unum Group may be impaired by adverse financial results or a change in capital requirements. Accordingly, internal sources of capital and liquidity may not always be sufficient. If we need to seek external capital, adverse market conditions may affect our access to capital or our cost of capital.***

Unum Group is a holding company for insurance and other subsidiaries and has limited operations of its own. Our insurance subsidiaries are subject to insurance laws and regulatory limitations on the payment of dividends and on other transfers of funds or other assets to affiliates, including to Unum Group. The level of earnings and capital in our subsidiaries, as well as business conditions and rating agency considerations, could impact our insurance and other subsidiaries' ability to pay dividends or to make other transfers of funds to Unum Group, which could impair our ability to pay dividends to Unum Group's common stockholders, meet our debt and other payment obligations, and/or repurchase shares of Unum Group's common stock. The use of funds held by Unum Group as consideration in any acquisition could affect our capital plan and render those funds unavailable for other corporate purposes.

A change 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. Deterioration in the credit market, which could delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner, could also negatively impact our cash flows. Regulatory changes such as those discussed herein in this Item 1A may impose higher capital or reserve requirements on our insurance subsidiaries, increase collateral requirements for certain of our derivatives transactions, and/or implement other requirements which could unfavorably affect our liquidity. Without sufficient liquidity, our ability to maintain and grow our operations would be limited. If our internal sources of liquidity prove to be insufficient, we may be unable to successfully obtain additional financing and capital on favorable terms, or at all, which may adversely affect us.

If our financial results are unfavorable, we may need to increase our capital in order to maintain our credit ratings or satisfy regulatory requirements. Maintaining appropriate levels of statutory surplus is considered important not only by us but by insurance regulatory authorities in the U.S., the PRA in the U.K., the KNF in Poland, and the rating agencies that rate insurers' claims-paying abilities and financial strength. Failure to maintain certain levels of statutory surplus could result in increased



regulatory scrutiny, action by regulatory authorities, or a downgrade by the rating agencies. Need for additional capital may limit a subsidiary's ability to distribute funds to our holding companies.

Obtaining financing for even a small amount of capital could be challenging in unfavorable market conditions and during periods of economic uncertainty. The markets may exert downward pressure on availability of liquidity and credit capacity for certain issuers. The availability of financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, and the possibility that customers or lenders could develop a negative perception of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Raising capital in unfavorable market conditions could increase our interest expense or negatively impact our shareholders through increased dilution of their common stock in Unum Group.

We rely on our credit facilities as a potential source of liquidity. Our right to borrow funds under these facilities is subject to financial covenants, negative covenants, and events of default. Our ability to borrow under these facilities are also subject to the continued willingness and ability of the lenders to provide funds. Our failure to comply with the covenants in the credit facilities or the failure of lenders to fund their lending commitments would restrict our ability to access these facilities when needed, with a resulting adverse effect on our results of operations, financial condition, or liquidity.

See "Regulation" contained herein in Item 1, "Liquidity and Capital Resources" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Notes 8 and 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

***Our risk management program may leave us exposed to unidentified or unanticipated risk, which could negatively affect our business.***

We have devoted significant resources to develop our enterprise risk management program, which has the objective of managing our strategic, market, credit, insurance, and operations risks, which ultimately impact our reputational risk. However, our program may not be comprehensive, and our methods for monitoring and managing risk may not fully predict or mitigate future exposures. In this case, there may be a negative impact to our business, results of operations, or financial condition.

See "Regulation" contained herein Item 1, "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Notes 1, 7 and 14 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information on legal proceedings.

See "Quantitative and Qualitative Disclosures About Market Risk" contained herein in Item 7A for further information about our risk management program.

## **General Risks**

***We and our insurance subsidiaries are subject to extensive supervision and regulation. Changes in laws and regulations that affect our industry or findings from examinations and investigations may affect the cost or demand for our products, increase capital and reserving requirements for our insurance subsidiaries, and adversely affect our profitability, liquidity, or growth.***

Our insurance subsidiaries are subject to extensive supervision and regulation in the United States and abroad. The primary purpose of insurance regulation is to protect policyholders, not stockholders. To that end, applicable laws establish regulatory authorities, including state insurance departments in the United States, the PRA in the United Kingdom, and the KNF in Poland, with broad administrative powers over many aspects of the insurance business. For example, our insurance subsidiaries may not be able to obtain or maintain necessary licenses, permits, authorizations, or accreditations, or may be able to do so only at great cost. In addition, we and our insurance subsidiaries may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance companies and insurance holding companies. These laws and regulations can be complex and subject to differing interpretations and are regularly re-examined. Existing or future laws and regulations, and the manner in which they are interpreted or applied, may become more restrictive or otherwise adversely affect our operations. For example, they may restrict or prohibit the payment of dividends by our subsidiaries to us, restrict transactions between subsidiaries and/or between us and our subsidiaries, and may require contributions of capital by us to our insurance subsidiaries even if we are otherwise in compliance with stated requirements. Failure to comply with or to obtain appropriate exemptions under any applicable laws or regulations could result in restrictions on the ability of our insurance subsidiaries to do business in one or more of the jurisdictions in which they operate and could result in fines and other sanctions, which may have a material adverse effect on our business or results of operations.

Regulatory examinations or investigations could result in, among other things, an increase to reserving requirements, changes in our claims handling or other business practices, changes in procedures for the identification and payment to the states of benefits and other property that is not claimed by the owners, changes in the use and oversight of reinsurance, changes in governance and other oversight procedures, assessments by tax authorities or other governing agencies, fines, and other administrative action, which could injure our reputation, adversely affect our issuer credit ratings and financial strength ratings, place us at a competitive disadvantage in marketing or administering our products, impair our ability to sell or retain insurance policies, and/or have a material adverse effect on our results of operations or financial condition.

It is possible that there will be heightened oversight of insurers by regulatory authorities in the jurisdictions in which our insurance subsidiaries are domiciled and operate. We cannot predict specific proposals that might be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business, results of operations, or financial condition. For instance, the NAIC or state regulators may adopt further revisions to statutory reserving standards or the RBC formula, the PRA may revise its capital adequacy requirements and minimum solvency margins, the IAIS may adopt capital requirements to which we could be subject, or rating agencies may incorporate higher capital thresholds into their quantitative analyses, thus requiring additional capital contributions by us to our insurance subsidiaries. Increased financial services regulation, which could include activities undertaken by the NAIC and regulatory authorities in the U.K., Poland, and the EU may impose greater quantitative requirements, supervisory review, and disclosure requirements and may impact the business strategies, capital requirements, and profitability of our insurance subsidiaries. The United Kingdom's Financial Ombudsman Service, which was established to help settle disputes between consumers and businesses providing financial services, and the FCA, which has rule-making, investigative, and enforcement powers to protect consumers, may hamper our ability to do business, which could have a material adverse effect on our U.K. operations.

Our financial statements are subject to the application of generally accepted accounting principles, in the United States, the United Kingdom, and Poland, which are periodically revised and/or expanded. Accordingly, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies within these countries, which may also be influenced by the International Accounting Standards Board. Future accounting standards we adopt, including the U.S. Financial Accounting Standards Board's accounting standard update related to long-duration targeted improvements for insurance contracts, will change current accounting and disclosure requirements applicable to our financial statements. Such changes may have a material effect on our reported results of operations or financial condition and may also impact the perception of our business by external stakeholders.

We use an affiliated captive reinsurer for the limited purpose of reinsuring risks attributable to specified policies issued or reinsured by one of our insurance subsidiaries in order to effectively manage risks in connection with certain blocks of our business as well as to enhance our capital efficiency. If we were required to discontinue use of the captive reinsurer or to alter the structure of the captive reinsurance arrangement, our ability to maintain current RBC ratios and/or our capital deployment activities could be adversely affected.

Changes in U.S. programs such as healthcare reform, the emergence of paid family and medical leave legislation, and financial services sector reform may compete with or diminish the need or demand for our products, particularly as it may affect our ability to sell our products through employers or in the workplace. The U.S. social security disability insurance program may not be sustainable, which may adversely affect the level of our disability claim payments and reserves. Legislative changes related to pension funding requirements could negatively impact our cash flows from operations and our profitability.

Changes in tax laws and other regulations or interpretations of such laws or regulations could unfavorably impact our corporate taxes. In addition, changes in tax laws could make some of our products less attractive to consumers.

On January 31, 2020, an official bill was passed formalizing the withdrawal of the U.K. from the European Union (EU). A deal was reached on December 24, 2020 on the future trading relationship with the EU. The deal focused primarily on the trading of goods rather than the U.K.'s service sector, which will be subject to further negotiations in 2021 and will focus on financial services and future regulation. In addition, the U.K. government is reviewing the regulatory framework of financial services companies which may result in changes to U.K. regulatory capital or U.K. tax regulations. We do not expect that the underlying operations of our U.K. business, nor the Polish business which is in the EU, will be significantly impacted by the withdrawal but we may see some continued dampening of growth in the U.K. as well as earnings volatility due to the current disruption and uncertainty in the U.K. economy. We may also experience volatility in the fair values of our investments in U.K. and EU-based issuers, but we do not expect a material increase in credit losses or defaults, nor do we believe this volatility will impact our ability to hold these investments. In addition, the current economic conditions may also cause volatility in our

solvency ratios. Our reported consolidated financial results continue to be impacted by fluctuations in the British pound sterling to dollar exchange rate.

Most group long-term and short-term disability plans we administer are governed by the Employee Retirement Income Security Act (ERISA). Changes to ERISA enacted by Congress or through judicial interpretations may adversely affect the risk to us of managing employee benefit plans, increase the premiums associated with such plans, and ultimately affect their affordability and our profitability.

The insurance departments in jurisdictions wherein our insurance subsidiaries conduct business may limit our ability to obtain rate increases under guaranteed renewable contracts or could require changes in rates and/or benefits to meet minimum loss ratio requirements which could negatively impact the profitability of our products. Many regulatory and governmental bodies have the authority to review our products and business practices and those of our agents and employees. These regulatory or governmental bodies may bring regulatory or other legal actions against us if, in their view, our practices are improper. These actions could result in substantial fines or restrictions on our business activities and could have a material adverse effect on our business or results of operations. Determination by regulatory authorities that we have engaged in improper conduct may also adversely affect our defense of various lawsuits.

***A decrease in our financial strength or issuer credit ratings may adversely affect our competitive position, our ability to hedge our risks, and our cost of capital or ability to raise capital, which may adversely affect our results of operations, financial condition, or liquidity.***

We compete based in part on the financial strength ratings provided by rating agencies. A downgrade of our financial strength ratings may 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, 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 and our ability to raise additional capital. If we are downgraded significantly, ratings triggers in our derivatives financial instrument contracts may result in our counterparties enforcing their option to terminate the derivative contracts. Such an event may have a material adverse effect on our financial condition or our ability to hedge our risks.

***Competition may adversely affect our market share or profitability.***

All of our businesses are highly competitive. We believe that the principal competitive factors affecting our business are price, the quality of our customer's experience regarding service and claims management, integrated product choices, enrollment capabilities, financial strength, and claims-paying ratings. We compete for new product sales, the retention of existing business, and the ability to attract and retain independent agents and brokers to market our products, all of which affect our profitability. All areas of the employee benefits markets are highly competitive due to the yearly renewable term nature of the group products and the large number of insurance companies offering products in this market. There is a risk that our customers may be able to obtain more favorable terms or improved technology solutions from competitors in lieu of renewing coverage with us, particularly if industry pricing levels do not align with our view of adequate premium rates. We are operating in a dynamic competitive environment of both traditional and non-traditional competitors, with changes in product offerings, enrollment capabilities, and technology solutions. The level and intensity of competition may also grow due to existing competitors becoming more aggressive, and an increase in merger and acquisition activity which may result in larger competitors with greater financial resources. There are many insurance companies which actively compete with us in our lines of business, and there is no assurance that we will be able to compete effectively against these companies and new competitors in the future.

***Events that damage our reputation may adversely affect our business, results of operations, or financial condition.***

There are many events which may harm our reputation, including, but not limited to, those discussed in this Item 1A regarding regulatory investigations, legal proceedings, social issues, and cyber or other information security incidents.

In addition, being in the business of insurance, we are paid to accept certain risks. Those who conduct business on our behalf, including executive officers and members of management, sales managers, investment professionals, and to some extent, independent agents and brokers, do so in part by making decisions that involve exposing us to risk. These include decisions such as maintaining effective underwriting and pricing discipline, maintaining effective claim management and customer service performance, managing our investment portfolio and derivatives trading activities, delivering effective technology solutions, complying with established sales practices, executing our capital management strategy, exiting a line of business and/or pursuing strategic growth initiatives, and other decisions. Although we employ controls and procedures designed to monitor

business decisions and prevent us from taking excessive risks or unintentionally failing to comply with internal policies and practices such that errors occur, there can be no assurance that these controls and procedures will be effective. If our employees and business associates take excessive risks and/or fail to comply with internal policies and practices, the impact of those events may damage our market position and reputation.

Depending on the severity of the damage to our reputation, we may be unable to effectively compete for new products or retain our existing business, which could adversely affect our results of operations or financial condition. Damage to our reputation may also hinder our ability to raise new capital and/or increase our cost of capital.

***Litigation and contingencies are common in our businesses and may result in financial losses and/or harm to our reputation.***

We are, and in the future may be, defendants in a number of litigation matters, and the outcome of this litigation is uncertain. Some of these proceedings have been brought on behalf of various alleged classes of complainants. Plaintiffs in class action and other lawsuits against us may seek very large and/or indeterminate amounts, including punitive and treble damages. 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. An adverse outcome in one or more of these actions may, depending on the nature, scope and amount of the ruling, materially and adversely affect our results of operations or financial condition, encourage other litigation, and limit our ability to write new business, particularly if the adverse outcomes negatively impact certain of our ratings.

As part of our normal operations in managing claims, we are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Typically those lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to our financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages may, from time to time, have a material adverse effect on our results of operations. We are unable to estimate a range of reasonably possible punitive losses.

See "Reserves for Policy and Contract Benefits", "Competition", "Regulation" and "Ratings" contained herein in Item 1, "Executive Summary" and "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Notes 1, 6, 7, and 14 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

## **ITEM 2. PROPERTIES**

As of December 31, 2020, we owned office space comprised of five campuses located in Chattanooga, Tennessee; Portland, Maine; Columbia, South Carolina; Baton Rouge, Louisiana; and Dorking in the United Kingdom. In addition, as of December 31, 2020, we leased office space in Worcester, Massachusetts and various other locations throughout the United States, the United Kingdom, Ireland, and Poland. Substantially all of the properties owned or leased are used by one or more of all five reporting segments, depending on the location. We believe our properties and facilities are suitable and adequate for current operations.

## **ITEM 3. LEGAL PROCEEDINGS**

Refer to Note 14 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for information on legal proceedings.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common stock of Unum Group is traded on the New York Stock Exchange. The stock symbol is UNM. Quarterly dividends declared and paid per share of common stock are as follows:

<b>2020</b>		
4th Quarter	\$	0.285
3rd Quarter		0.285
2nd Quarter		0.285
1st Quarter		0.285
<b>2019</b>		
4th Quarter	\$	0.285
3rd Quarter		0.285
2nd Quarter		0.260
1st Quarter		0.260

Our board of directors has the authority to declare cash dividends on shares of our common stock. In determining dividends, the board takes into account a number of factors including our financial condition and results of operations, regulatory limitations on the payment of dividends from subsidiaries, cash requirements, general economic conditions, and other factors the board may deem relevant. For information on restrictions relating to our subsidiaries' ability to pay dividends to Unum Group and certain of its intermediate holding company subsidiaries, see "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7 and Note 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8. For information relating to compensation plans under which Unum Group's equity securities are authorized for issuance, see Item 12 contained herein.

As of February 12, 2021, there were 8,495 registered holders of common stock.

In May 2019, our board of directors authorized the repurchase of up to \$750.0 million of Unum Group's common stock through November 23, 2020, at which point the authorization expired. We did not repurchase any shares during 2020 and as of December 31, 2020, we had not authorized a new share repurchase program.

## ITEM 6. SELECTED FINANCIAL DATA

(in millions of dollars, except share data)

	At or for the Year Ended December 31				
	2020	2019	2018	2017	2016
<b>Income Statement Data</b>					
<b>Revenue</b>					
Premium Income	\$ 9,378.1	\$ 9,365.6	\$ 8,986.1	\$ 8,597.1	\$ 8,357.7
Net Investment Income	2,360.7	2,435.3	2,453.7	2,451.7	2,459.0
Net Realized Investment Gain (Loss) <sup>1</sup>	1,199.1	(23.2)	(39.5)	40.3	24.2
Other Income	224.2	221.2	198.2	197.7	205.6
<b>Total Revenue</b>	<b>13,162.1</b>	<b>11,998.9</b>	<b>11,598.5</b>	<b>11,286.8</b>	<b>11,046.5</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits <sup>2</sup>	8,972.9	7,496.2	8,020.4	7,055.7	6,941.8
Commissions	1,057.3	1,122.7	1,108.4	1,060.8	1,026.7
Interest and Debt Expense and Cost Related to Early Retirement of Debt <sup>3</sup>	188.2	204.7	167.3	159.9	166.0
Other Expenses <sup>4</sup>	1,979.7	1,793.2	1,674.6	1,606.4	1,564.3
<b>Total Benefits and Expenses</b>	<b>12,198.1</b>	<b>10,616.8</b>	<b>10,970.7</b>	<b>9,882.8</b>	<b>9,698.8</b>
<b>Income Before Income Tax</b>	<b>964.0</b>	<b>1,382.1</b>	<b>627.8</b>	<b>1,404.0</b>	<b>1,347.7</b>
Income Tax	171.0	281.8	104.4	409.8	416.3
<b>Net Income</b>	<b>\$ 793.0</b>	<b>\$ 1,100.3</b>	<b>\$ 523.4</b>	<b>\$ 994.2</b>	<b>\$ 931.4</b>
<b>Balance Sheet Data</b>					
Assets	\$ 70,625.8	\$ 67,013.4	\$ 61,875.6	\$ 64,013.1	\$ 61,941.5
Long-term Debt	\$ 3,345.7	\$ 2,926.9	\$ 2,971.3	\$ 2,738.4	\$ 2,999.4
Accumulated Other Comprehensive Income (Loss)	\$ 374.2	\$ 37.3	\$ (814.2)	\$ 127.5	\$ (51.0)
Other Stockholders' Equity	10,496.8	9,927.7	9,436.0	9,447.4	9,019.0
<b>Total Stockholders' Equity</b>	<b>\$ 10,871.0</b>	<b>\$ 9,965.0</b>	<b>\$ 8,621.8</b>	<b>\$ 9,574.9</b>	<b>\$ 8,968.0</b>
<b>Per Share Data</b>					
<b>Net Income</b>					
Basic	\$ 3.89	\$ 5.25	\$ 2.38	\$ 4.39	\$ 3.96
Assuming Dilution	\$ 3.89	\$ 5.24	\$ 2.38	\$ 4.37	\$ 3.95
<b>Stockholders' Equity</b>	<b>\$ 53.37</b>	<b>\$ 49.10</b>	<b>\$ 40.19</b>	<b>\$ 43.02</b>	<b>\$ 39.02</b>
<b>Cash Dividends</b>	<b>\$ 1.14</b>	<b>\$ 1.09</b>	<b>\$ 0.98</b>	<b>\$ 0.86</b>	<b>\$ 0.77</b>
<b>Weighted Average Common Shares Outstanding</b>					
Basic (000s)	203,642.0	209,728.9	219,635.6	226,492.4	235,445.7
Assuming Dilution (000s)	203,755.3	209,854.4	220,058.6	227,335.2	235,979.2

<sup>1</sup> Includes net realized investment gains of \$1,302.3 million in 2020 related to the transfer of investments in the Closed Block individual disability reinsurance transaction. See Notes 3 and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the reinsurance transaction.

<sup>2</sup> Includes a reserve increase of \$151.5 million and \$750.8 million in 2020 and 2018, respectively, related to our long-term care closed block business, as well as a reserve increase of \$17.5 million in 2020 to our group pension closed block business. Also includes an increase in benefits and change in reserves for future benefits of \$1,284.5 million in 2020 resulting from the recognition of the adjustment related to unrealized investment gains and losses previously recognized in accumulated other comprehensive income related to the previously mentioned reinsurance transaction. See Notes 6 and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 and "Executive Summary" contained herein in Item 7 for further discussion of the 2020 and 2018 reserve increases and the reinsurance transaction, respectively.

<sup>3</sup> Includes cost related to early retirement of debt of \$27.3 million in 2019. See Note 8 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the 2019 cost related to early retirement of debt.

<sup>4</sup> Includes the net change in deferred acquisition costs as well as compensation expense and other expenses. Includes the amortization of the cost of reinsurance of \$2.6 million and transaction costs of \$21.0 million related to the Closed Block individual disability reinsurance transaction in 2020. Also includes a right-of-use (ROU) asset impairment of \$12.7 million in 2020 related to one of our operating leases for office space that we do not plan to continue using to support general operations and \$23.3 million of costs related to an organizational design update in 2020. See Note 13 and 15 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion on the organizational design update and ROU asset impairment, respectively.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis presented in this section should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Statements" included below the Table of Contents, "Risk Factors" included herein Item 1A, "Selected Financial Data" included herein this Item 6, and the Consolidated Financial Statements and notes thereto included in Item 8.

### Executive Summary

#### *2020 Operating Performance and Capital Management*

For 2020, we reported net income of \$793.0 million, or \$3.89 per diluted common share, compared to net income of \$1,100.3 million, or \$5.24 per diluted common share, in 2019. Included in our results for 2020 are: (i) the impact from the Closed Block individual disability reinsurance agreement, which resulted in a net loss of \$5.8 million before tax and a net gain of \$32.0 million after tax, or \$0.16 per diluted common share, (ii) a reserve increase related to our long-term care block of business of \$151.5 million before tax and \$119.7 million after tax, or \$0.59 per diluted common share, (iii) a reserve increase related to our group pension block of business of \$17.5 million before tax and \$13.8 million after tax, or \$0.07 per diluted common share, (iv) costs related to an organizational design update in the amount of \$23.3 million before tax and \$18.6 million after tax, or \$0.09 per diluted common share, (v) an impairment loss on the right-of-use (ROU) asset related to one of our operating leases of \$12.7 million before tax and \$10.0 million after tax, or \$0.05 per diluted common share, and (vi) a net realized investment loss, excluding the net realized investment gain related to the reinsurance transaction, of \$103.2 million before tax and \$82.3 million after tax, or \$0.40 per diluted common share. Included in our 2019 results are costs related to the early retirement of debt of \$27.3 million before tax and \$21.6 million after tax, or \$0.11 per diluted common share and a net realized investment loss of \$23.2 million before tax and \$18.7 million after tax, or \$0.09 per diluted common share. Adjusting for these items, after-tax adjusted operating income for 2020 was \$1,005.4 million, or \$4.93 per diluted common share compared to \$1,140.6 million, or \$5.44 per diluted common share for 2019. See "Closed Block Individual Disability Reinsurance Agreement," "Long-term Care Reserve Increase," "Group Pension Reserve Increase," "Costs Related to Organizational Design Update," "Impairment Loss on ROU Asset," "Reconciliation of Non-GAAP and Other Financial Measures," and "Consolidated Operating Results" contained herein in this Item 7 for further discussion and a reconciliation of these items.

Our Unum US segment reported a decrease in adjusted operating income of 19.9 percent in 2020 compared to 2019, due to unfavorable benefits experience, particularly in the group life product line, and higher operating expenses. The benefit ratio for our Unum US segment for 2020 was 68.8 percent, compared to 66.9 percent in 2019. Unum US sales decreased 10.0 percent in 2020 compared to 2019. Overall persistency was lower relative to the prior year period.

Our Unum International segment reported a decrease in adjusted operating income of 29.0 percent in 2020 compared to 2019, as measured in U.S. dollars. Our Unum UK line of business reported a decrease in adjusted operating income of 32.3 percent compared to 2019, as measured in local currency, due primarily to unfavorable benefits experience and lower net investment income, partially offset by an increase in premium income. The benefit ratio for our Unum UK line of business was 78.9 percent in 2020 compared to 76.7 percent in 2019. Unum International sales, as measured in U.S. dollars, decreased 9.5 percent in 2020 compared to 2019. Unum UK sales, as measured in local currency, decreased 10.8 percent in 2020 compared to 2019. Overall persistency was lower relative to the prior year period.

Our Colonial Life segment reported a decrease in adjusted operating income of 2.6 percent in 2020 compared to 2019 due to unfavorable benefits experience, partially offset by premium growth, higher net investment income, and lower operating expenses. The 2020 benefit ratio for Colonial Life was 52.9 percent, compared to 51.3 percent in 2019. Colonial Life sales decreased 27.0 percent in 2020 compared to 2019. Overall persistency was higher relative to the prior year period.

Our Closed Block segment reported a loss before income tax and net realized investment gains and losses of \$1,235.7 million, which includes the impacts related to the Closed Block individual disability reinsurance agreement and the reserve increases related to our long-term care and group pension blocks of business. Excluding these items, our Closed Block segment reported adjusted operating income of \$241.4 million in 2020 compared to \$137.7 million in 2019. The long-term care interest adjusted loss ratio for 2020 was favorable relative to our range of expectations. The individual disability interest adjusted loss ratio, excluding the reserve recognition impact from the Closed Block individual disability reinsurance agreement, was unfavorable in 2020 compared to 2019 but generally remained within our expectations.

Our net investment income yields continue to be pressured by the low interest rate environment as we maintain consistent credit quality in our invested asset portfolio. The net unrealized gain on our fixed maturity securities was \$7.6 billion at December 31,



2020, compared to \$6.4 billion at December 31, 2019, with the increase due primarily to a decline in U.S. Treasury rates. The earned book yield on our investment portfolio was 4.75 percent for 2020 compared to a yield of 5.00 percent for 2019.

We believe our capital and financial positions are strong. At December 31, 2020, the RBC ratio for our traditional U.S. insurance subsidiaries, calculated on a weighted average basis using the NAIC Company Action Level formula, was approximately 365 percent, which is in line with our expectations. We did not repurchase shares during 2020. Our weighted average common shares outstanding, assuming dilution, equaled 203.8 million for 2020 compared to 209.9 million for 2019. As of December 31, 2020, Unum Group and our intermediate holding companies had available holding company liquidity of \$1,512 million that was held primarily in fixed maturity securities, short-term investments, and cash.

### ***Closed Block Individual Disability Reinsurance Agreement***

In December 2020, Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company, and Unum Life Insurance Company of America, wholly-owned domestic insurance subsidiaries of Unum Group and collectively referred to as "the ceding companies", entered into a series of agreements (collectively referred to as the "reinsurance agreement") with Commonwealth Annuity and Life Insurance Company (Commonwealth), a subsidiary of Global Atlantic Financial Group, to reinsure on a coinsurance basis effective as of July 1, 2020, approximately 75 percent of the Closed Block individual disability insurance business, primarily direct business written by the ceding companies. Commonwealth has established and will maintain collateralized trust accounts for the benefit of the ceding companies to secure its obligations under the reinsurance agreement. As part of the agreement, additional Closed Block individual disability business consisting of direct business not ceded in December 2020 and business assumed by the ceding companies from third parties, is expected to be reinsured in the first quarter of 2021, subject to receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions and is considered the second phase of this transaction.

In December 2020, Provident Life and Casualty Insurance Company (PLC), also a wholly-owned domestic insurance subsidiary of Unum Group, entered into an agreement with Commonwealth whereby PLC will provide a 12-year volatility cover to Commonwealth for the active life cohort (ALR cohort), which represents approximately five percent of the reserves ceded to Commonwealth. As part of this agreement, PLC received a payment from Commonwealth of approximately \$62 million. PLC will provide similar coverage to Commonwealth related to the additional business that will be ceded as part of the second phase of the transaction. At the end of the 12-year coverage period, Commonwealth will retain the remaining incidence and claims risk on the ALR cohort of the ceded business.

In connection with the first phase of the coinsurance agreement that closed in December 2020, the ceding companies paid a total cash ceding commission to Commonwealth of approximately \$438 million and transferred additional assets consisting primarily of fixed maturity securities and cash totaling \$6,669.8 million. As a result of this reinsurance agreement, we recognized the following in the fourth quarter of 2020:

- Net realized investment gains totaling \$1,302.3 million, or \$1,028.8 million after tax, related to the transfer of investments.
- Increase in benefits and change in reserves for future benefits of \$1,284.5 million, or \$1,014.7 million after tax, resulting from the realization of previously unrealized investment gains and losses recorded in accumulated other comprehensive income.
- Transaction costs totaling \$21.0 million, or \$16.6 million after tax.
- Tax benefit of \$36.5 million.
- Reinsurance recoverable of \$6,141.5 million related to the policies on claim status (DLR cohort).
- Cost of reinsurance, or prepaid reinsurance premium, of \$815.7 million related to the DLR cohort, of which we recognized amortization expense of \$2.6 million, or \$2.0 million after tax, subsequent to the closing of the transaction.
- Deposit asset of \$88.2 million related to the ALR cohort.

In the fourth quarter of 2020, we released approximately \$400 million of capital as a result of the reinsurance transaction and we expect to release approximately \$250 million of additional capital in the first quarter of 2021 assuming the second phase of the transaction is fully executed, subject to receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions. See "Reinsurance" contained herein in Item 1; "Segment Results," and "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7, and Notes 12 and 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion on the impacts related to this reinsurance agreement.

### ***2020 Long-term Care Reserve Increase***

During the fourth quarter of 2020, we completed a review of policy reserve adequacy, which incorporated our most recent experience and included a review of all material assumptions. Based on our analysis, during the fourth quarter of 2020, we updated our reserve assumptions and determined that our gross policy and claim reserves should be increased by \$151.5 million to reflect our current estimate of future benefit obligations. This increase was primarily driven by an update to our interest rate assumption, partially offset by favorable premium rate increase approvals and inventory updates. See "Trends in Key Assumptions" contained herein in the "Critical Accounting Estimates" of this Item 7 for further discussion of the assumptions used in our long-term care reserve update.

### ***2020 Group Pension Reserve Increase***

During the fourth quarter of 2020, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions. Based on our analysis, during the fourth quarter of 2020, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$17.5 million to reflect our updated discount rate assumptions.

### ***Costs Related to Organizational Design Update***

During the third quarter of 2020, we realigned certain parts of our organizational structure by shifting resources to accelerate growth, fund priority investments, and simplify and improve our business practices. In connection with this update, we incurred charges of \$23.3 million, which primarily consisted of employee severance and benefit costs as well as costs related to lease terminations and the disposal of certain fixed assets. This update did not result in the exit or disposal of any of our lines of business and we do not expect material additional costs associated with this update in the future.

### ***Impairment Loss on ROU Asset***

During the second quarter of 2020, we recognized an impairment loss of \$12.7 million on the ROU asset related to one of our operating leases for office space that we do not plan to continue using to support our general operations. The impairment loss was recorded as a result of a decrease in the fair value of the ROU asset compared to its carrying value.

### ***U.K. Tax Law Change***

On July 22, 2020, the Finance Bill 2019-21 was enacted, resulting in a U.K. tax rate increase from 17 percent to 19 percent, retroactively effective April 1, 2020, which resulted in tax expense of \$9.3 million for the revaluation of our tax assets and liabilities.

### ***U.K. Referendum***

On January 31, 2020, an official bill was passed formalizing the withdrawal of the U.K. from the European Union (EU). A deal was reached on December 24, 2020 on the future trading relationship with the EU. The deal focused primarily on the trading of goods rather than the U.K.'s service sector, which will be subject to further negotiations in 2021 and will focus on financial services and future regulation. In addition, the U.K. government is reviewing the regulatory framework of financial services companies which may result in changes to U.K. regulatory capital or U.K. tax regulations. We do not expect that the underlying operations of our U.K. business, nor the Polish business which is in the EU, will be significantly impacted by the withdrawal, but we may see some continued dampening of growth in the U.K. as well as earnings volatility due to the current disruption and uncertainty in the U.K. economy. We may also experience volatility in the fair values of our investments in U.K. and EU-based issuers, but we do not expect a material increase in impairments or defaults, nor do we believe this volatility will impact our ability to hold these investments. In addition, the current economic conditions may also cause volatility in our solvency ratios. Our reported consolidated financial results may continue to be impacted by fluctuations in the British pound sterling to dollar exchange rate. See "Regulation" contained herein in Item 1, "Risk Factors" contained herein Item 1A, and "Unum International Segment" contained herein this Item 7.

## *Coronavirus Disease 2019 (COVID-19)*

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

### *Results of Operations*

#### *Benefits Experience*

We have identified activity in certain of our products that is inconsistent with historical experience that is due to COVID-19 and the related environment. In particular, we have experienced higher mortality in our life product lines, higher claim incidence in certain of our disability product lines, and lower claim resolutions in our Unum UK group long-term disability product line due to disruptions in our claims processes. Conversely, we experienced lower claims utilization in our dental and vision products, particularly in the second quarter of 2020, resulting from the impact of stay-at-home orders and general quarantine measures. With respect to our long-term care product line, we have experienced higher claimant mortality and lower submitted incidence.

We continue to monitor the benefits experience across all of our products for trends potentially correlated with COVID-19. For further discussion regarding the benefits experience for each of our operating business segments, see "Segment Results" herein in this Item 7.

#### *Net Investment Income*

During 2020, we have experienced a decline in our net investment income as a result of the current economic conditions. The current economic conditions have sustained the low interest rate environment, which has and will continue to impact the yield on our invested assets, particularly related to the investment of new cash flows. The net asset values of our partnership investments continued to improve in the fourth quarter of 2020 from the depressed values experienced earlier in the year reflecting the improved market conditions of the third quarter of 2020 and resulted in overall positive earnings in 2020 for our partnership investments although lower than the level of earnings we experienced in 2019. We have also worked with certain of our commercial mortgage loan borrowers that have requested temporary payment deferrals but these instances have not resulted in a significant number of loans with deferrals or a significant impact on our net investment income. For further information on our investment portfolio, see "Investments" contained herein in this Item 7 and Notes 2 and 3 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

#### *Premium Income and Premium Receivable Collectability*

We have experienced a disruption in sales activity related to certain of our product lines due to some potential new customers deferring their purchasing decisions given the current economic environment and challenges in our ability to meet with potential new customers for policies that are traditionally sold in person mitigated somewhat by our investment in digital tools and capabilities. If we continue to experience this disruption, our premium income may decline. In addition, in certain of our product lines, we are also experiencing a decline in the number of lives insured by our customers as they navigate the current environment. Although we have not experienced a material decline in the collectability of premiums due from our customers, we have increased the allowance for credit losses on our premium receivable balances to consider higher unemployment levels and the general uncertainty regarding the financial condition of our customers. We continue to work with our customers to understand their respective financial conditions and develop solutions on a case-by-case basis to allow for additional payment flexibility to enhance the likelihood of premium collection and avoid disruptions in coverage. However, circumstances may deteriorate quickly which could result in the decline of persistency levels and sales growth in the near term, and potentially longer if the current situation persists, which may materially impact our results of operations through continued increases in our allowances for credit losses and lower premium income.

See Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further information on our allowances for credit losses.

## Financial Condition

### *Investments*

Regarding our fixed maturity security portfolio, the current economic conditions have increased volatility in the capital markets and have caused significant pressure on the profitability of many companies. The sharp decline in oil prices experienced earlier in the year and decrease in demand due to COVID-19, which began in the first quarter of 2020, also caused pressure on the profitability of companies in the energy sector. We recorded credit losses during the first quarter of 2020 primarily related to fixed maturity securities issued by companies in the energy sector, but recorded minimal credit losses related to energy securities in the remainder of 2020 primarily as a result of the improvement in oil prices. Our exposure to consumer cyclicals which have been stressed due to COVID-19 related shutdowns is a small portion of our portfolio and our exposure to other stressed industries such as airlines and restaurants is minimal. We continue to monitor capital market activity on a regular basis and to the extent that there are continued volatility and ratings downgrades related to the issuers of our fixed maturity securities, we could experience further credit losses, an increase in defaults, and the need for additional capital in our insurance subsidiaries. However, we remain confident in the overall strength and credit quality of our investment portfolio.

### *Other*

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

### Liquidity and Capital Resources

We have strengthened our liquidity position through actions such as maintaining a higher level of short-term investments and posting additional collateral from certain of our U.S. insurance subsidiaries to the regional Federal Home Loan Banks (FHLB). As a result, we believe we have the appropriate liquidity and access to capital to avoid significant disruption to our operations. We have not yet experienced a significant impact to our liquidity as a result of the collection of premiums and submitted claims activity; however, we continually monitor the developments of these items.

As of December 31, 2020, we have borrowed \$312.2 million of funds through our memberships with the regional FHLBs and those funds are used for the purpose of investing in either short-term investments or fixed maturity securities. Although we did increase FHLB borrowings at December 31, 2020, we have additional borrowing capacity of approximately \$1,093 million that can be utilized for liquidity if the need arises. Additionally, we have access to two unsecured revolving credit facilities under separate syndicates of lenders that allow us to borrow up to a total of \$600 million. There are currently no outstanding borrowings on these facilities but we remain in compliance with required covenants should we choose to borrow in the future. In May 2020, we issued \$500.0 million of 4.500% senior notes due 2025 which strengthened our liquidity and demonstrated our ability to raise capital in a strained economic environment.

Following the maturity of our \$400.0 million aggregate principal amount of 5.625% unsecured notes in the third quarter of 2020, which was funded through an issuance of debt during the second quarter of 2019, we have no significant upcoming debt maturities until 2024. We continue to meet the financial covenants contained in our current debt agreements and credit facilities, and we expect that we will continue to meet those covenants in subsequent periods.

To the extent that we begin to experience a significant impact to our liquidity, we would likely sell highly liquid invested assets or borrow funds on our credit facilities to meet operational cash flow requirements.

### Business Operations

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

### ***2018 Long-term Care Reserve Increase***

Policy reserves for our long-term care block of business are determined using the gross premium valuation method and, prior to the third quarter of 2018, were valued based on assumptions established as of December 31, 2014, the date of our last assumption update under loss recognition. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient. We undertake a review of policy reserve adequacy annually during the fourth quarter of each year, or more frequently if appropriate, using best estimate assumptions as of the date of the review.

During the third quarter of 2018, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions. The review utilized internal and external data and outside consulting firms for quality assurance and industry benchmarking. Based on our analysis, during the third quarter of 2018, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$750.8 million, or \$593.1 million after-tax, to reflect our current estimate of future benefit obligations. This increase was primarily driven by the update to our liability and interest rate assumptions, particularly claims incidence and claim termination rates, which resulted in an increase to reserves of approximately \$2.2 billion. Partially offsetting the increase was the update to our assumptions for premium rate increases which decreased reserves approximately \$1.4 billion, resulting in the net increase to reserves of \$750.8 million.

### ***2018 Acquisitions of Business***

In November 2018, we acquired 100 percent of the shares and voting interests in Jaimini Health, Inc. (Jaimini Health), a dental health maintenance organization. The acquisition of Jaimini Health will broaden our employee benefit dental offerings in the U.S., particularly in the state of California and is reported in our Unum US segment.

In October 2018, we acquired 100 percent of the shares and voting interests in Pramerica Zycie TUiR S.A. (which we have subsequently renamed Unum Zycie TUiR S.A. and refer to as Unum Poland), a financial protection benefits provider in Poland. This acquisition will expand our European presence, which we believe to be an attractive market for financial protection benefits.

In January 2018, we acquired 100 percent of the shares and voting interests in Leavelogic, Inc (Leavelogic), a leave management technology provider. The acquisition of Leavelogic will enhance our current leave management offerings by providing tools for employers and employees to better manage the family leave process and is reported in our Unum US segment.

See Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further details.

### ***Consolidated Company Outlook for 2021***

We believe our disciplined approach to providing financial protection products at the workplace puts us in a position of strength. The products and services we provide have never been more important to employers, employees and their families, especially given the emergence of the COVID-19 pandemic. We continue to fulfill our corporate purpose of helping the working world thrive throughout life's moments by providing excellent service to people at their time of need. Our strategy remains centered on growing our core businesses through investing and transforming our operations and technology to anticipate and respond to the changing needs of our customers, expand into new adjacent markets through meaningful partnerships and effective deployment of our capital across our portfolio.

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

Our business is well-diversified by geography, industry exposures and case size, and we continue to analyze and employ strategies that we believe will help us navigate the current environment. These strategies allow us to maintain financial flexibility to support the needs of our businesses, while also returning capital to our shareholders. We have strong core businesses that have a track record of generating significant capital, and we will continue to invest in our operations and expand into adjacent markets where we can best leverage our expertise and capabilities to capture market growth opportunities as those opportunities re-emerge. Long-term, we believe that consistent operating results, combined with the implementation of strategic initiatives and the effective deployment of capital, will allow us to meet our financial objectives.

Further discussion is included in "Reconciliation of Non-GAAP Financial Measures," "Consolidated Operating Results," "Segment Results," "Investments," and "Liquidity and Capital Resources" contained herein in this Item 7 and in the "Notes to Consolidated Financial Statements" contained herein in Item 8.

### **Reconciliation of Non-GAAP and Other Financial Measures**

We analyze our performance using non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measure of "after-tax adjusted operating income" differs from net income as presented in our consolidated operating results and income statements prepared in accordance with GAAP due to the exclusion of net realized investment gains and losses and amortization of the cost of reinsurance as well as certain other items as specified in the reconciliations below. We believe after-tax adjusted operating income is a better performance measure and better indicator of the profitability and underlying trends in our business.

Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains or losses. Although we may experience realized investment gains or losses which will affect future earnings levels, a long-term focus is necessary to maintain profitability over the life of the business since our underlying business is long-term in nature, and we need to earn the interest rates assumed in calculating our liabilities.

As previously discussed, we have exited a substantial portion of our closed block individual disability product line through the reinsurance agreement that was executed in December 2020. As a result, we exclude the amortization of the cost of reinsurance that was recognized as a result of the exit of the business related to the DLR cohort of policies. We believe that the exclusion of the amortization of the cost of reinsurance provides a better view of our results from our ongoing businesses.

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.

See "Executive Summary" contained herein in Item 7 and Notes 6, 7, 8, 12, 13, and 15 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion regarding the impacts of the 2018 and 2020 long-term care reserve increases, the group pension reserve increase, the total impacts of the Closed Block individual disability reinsurance transaction, the amortization of the cost of reinsurance, costs related to the organizational design update, the impairment loss on the ROU asset related to one of our operating leases for office space, and the cost related to the early retirement of debt.

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

	Year Ended December 31					
	2020		2019		2018	
	(in millions)	per share *	(in millions)	per share *	(in millions)	per share *
<b>Net Income</b>	\$ 793.0	\$ 3.89	\$ 1,100.3	\$ 5.24	\$ 523.4	\$ 2.38
Excluding:						
<b>Net Realized Investment Gains and Losses</b>						
Net Realized Investment Gain Related to Reinsurance Transaction (net of tax expense of \$273.5; \$—; \$—)	1,028.8	5.05	—	—	—	—
Net Realized Investment Loss, Other (net of tax benefit of \$20.9; \$4.5; \$11.0)	(82.3)	(0.40)	(18.7)	(0.09)	(28.5)	(0.12)
<b>Total Net Realized Investment Gain (Loss)</b>	946.5	4.65	(18.7)	(0.09)	(28.5)	(0.12)
<b>Items Related to Closed Block Individual Disability Reinsurance Transaction</b>						
Change in Benefit Reserves and Transaction Costs (net of tax benefit of \$274.2; \$—; \$—)	(1,031.3)	(5.06)	—	—	—	—
Amortization of the Cost of Reinsurance (net of tax benefit of \$0.6; \$—; \$—)	(2.0)	(0.01)	—	—	—	—
Net Tax Benefits of Reinsurance Transaction	36.5	0.18	—	—	—	—
<b>Total Items Related to Closed Block Individual Disability Reinsurance Transaction</b>	(996.8)	(4.89)	—	—	—	—
Long-term Care Reserve Increase (net of tax benefit of \$31.8; \$—; \$157.7)	(119.7)	(0.59)	—	—	(593.1)	(2.70)
Group Pension Reserve Increase (tax benefit of \$3.7; \$—; \$—)	(13.8)	(0.07)	—	—	—	—
Costs Related to Organizational Design Update (net of tax benefit of \$4.7; \$—; \$—)	(18.6)	(0.09)	—	—	—	—
Impairment Loss on ROU Asset (net of tax benefit of \$2.7; \$—; \$—)	(10.0)	(0.05)	—	—	—	—
Costs Related to Early Retirement of Debt (net of tax benefit of \$—; \$5.7; \$—)	—	—	(21.6)	(0.11)	—	—
<b>After-tax Adjusted Operating Income</b>	\$ 1,005.4	\$ 4.93	\$ 1,140.6	\$ 5.44	\$ 1,145.0	\$ 5.20

\* Assuming Dilution

We measure and analyze our segment performance on the basis of "adjusted operating revenue" and "adjusted operating income" or "adjusted operating loss", which differ from total revenue and income before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses and amortization of the cost of reinsurance as well as and certain other items as specified in the reconciliations below. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for total revenue, income before income tax, or net income.

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

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Total Revenue</b>	\$ 13,162.1	\$ 11,998.9	\$ 11,598.5
Excluding:			
Net Realized Investment Gain (Loss)	1,199.1	(23.2)	(39.5)
<b>Adjusted Operating Revenue</b>	<u>\$ 11,963.0</u>	<u>\$ 12,022.1</u>	<u>\$ 11,638.0</u>
<b>Income Before Income Tax</b>	\$ 964.0	\$ 1,382.1	\$ 627.8
Excluding:			
<b>Net Realized Investment Gains and Losses</b>			
Net Realized Investment Gain Related to Reinsurance Transaction	1,302.3	—	—
Net Realized Investment Loss, Other	(103.2)	(23.2)	(39.5)
<b>Total Net Realized Investment Gain (Loss)</b>	1,199.1	(23.2)	(39.5)
<b>Items Related to Closed Block Individual Disability Reinsurance Transaction</b>			
Change in Benefit Reserves and Transaction Costs	(1,305.5)	—	—
Amortization of the Cost of Reinsurance	(2.6)	—	—
<b>Total Items Related to Closed Block Individual Disability Reinsurance Transaction</b>	(1,308.1)	—	—
Long-term Care Reserve Increase	(151.5)	—	(750.8)
Group Pension Reserve Increase	(17.5)	—	—
Costs Related to Organizational Design Update	(23.3)	—	—
Impairment Loss on ROU Asset	(12.7)	—	—
Costs Related to Early Retirement of Debt	—	(27.3)	—
<b>Adjusted Operating Income</b>	<u>\$ 1,278.0</u>	<u>\$ 1,432.6</u>	<u>\$ 1,418.1</u>



## 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. For additional information, refer to our significant accounting policies in Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

### *Reserves for Policy and Contract Benefits*

Reserves for policy and contract benefits are our largest liabilities and represent claims that we estimate we will eventually pay to our policyholders. The two primary categories of reserves are policy reserves for claims not yet incurred and claim reserves for claims that have been incurred or are estimated to have been incurred but not yet reported to us. Reserves for policy and contract benefits equaled \$45.3 billion and \$43.7 billion at December 31, 2020 and 2019, respectively, or approximately 75.8 percent and 76.6 percent of our total liabilities, respectively. Reserves ceded to reinsurers were \$13.2 billion and \$7.2 billion at December 31, 2020 and 2019 and are reported as a reinsurance recoverable in our consolidated balance sheets.

### Policy Reserves

Policy reserves are established in the same period we issue a policy and equal the difference between projected future policy benefits and future premiums, allowing a margin for expenses and profit. These reserves relate primarily to our non-interest sensitive products, including our individual disability and voluntary benefits products in our Unum US segment; individual disability and life products in our Unum International segment; disability and cancer and critical illness policies in our Colonial Life segment; and individual disability, long-term care, and other products in our Closed Block segment. The reserves are calculated based on assumptions that were appropriate at the date the policy was issued and are not subsequently modified unless the policy reserves become inadequate (i.e. loss recognition occurs).

- Persistency assumptions are based on our actual historical experience adjusted for future expectations.
- Claim incidence and claim resolution rate assumptions related to mortality and morbidity are based on actual experience or industry standards adjusted as appropriate to reflect our actual experience and future expectations.
- Discount rate assumptions are based on our current and expected net investment returns.

In establishing policy reserves, we use assumptions that reflect our best estimate while considering the potential for adverse variances in actual future experience, which results in a total policy reserve balance that has an embedded reserve for adverse deviation. We do not, however, establish an explicit and separate reserve as a provision for adverse deviation from our assumptions.

We perform loss recognition tests on our policy reserves annually, or more frequently if appropriate, using best estimate assumptions as of the date of the test, without a provision for adverse deviation. We group the policy reserves for each major product line within a segment when we perform the loss recognition tests. If the policy reserves determined using these best estimate assumptions are higher than our existing policy reserves net of any deferred acquisition cost balance, the existing policy reserves are increased or deferred acquisition costs are reduced to immediately recognize the deficiency. Thereafter, the policy reserves for the product line are calculated using the same method we used for the loss recognition testing, referred to as the gross premium valuation method, wherein we use our best estimate as of the gross premium valuation (loss recognition) date rather than the initial policy issue date to determine the expected future claims, commissions, and expenses we will pay and the expected future gross premiums we will receive.

Because the key policy reserve assumptions for policy persistency, mortality and morbidity, and discount rates are all locked in at policy issuance based on assumptions appropriate at that time, policy reserve assumptions are generally not changed due to a change in claim status from active to disabled subsequent to policy issuance. Depending on the funding mechanism, a full policy reserve is held during disability reflecting continued funding of the full policy reserve during a disability claim, or a fractional policy reserve is held reflecting that the individual policyholder would need to recover before he or she can again generate future claims for a separate occurrence. The policy reserves build up and release over time based on assumptions made at the time of policy issuance such that the reserve is eliminated as policyholders either reach the terminal age for coverage, die, or voluntarily lapse the policy. Policy reserves for Unum US, Unum International, and Colonial Life products are determined using the net

level premium method as prescribed by GAAP. In applying this method, we use, as applicable by product type, morbidity and mortality incidence rate assumptions, claim resolution rate assumptions, and policy persistency assumptions, among others, to determine our expected future claim payments and expected future premium income. We then apply an interest, or discount, rate to determine the present value of the expected future claims and claim expenses we will pay and the expected future premiums we will receive, with a provision for profit allowed.

Policy reserves for our Closed Block segment include certain older policy forms for individual disability, individual and group long-term care, and certain other products, all of which are no longer actively marketed. The reserves for individual disability and individual and group long-term care are determined using the gross premium valuation method. Key assumptions are persistency, mortality and morbidity, claim incidence, claim resolution rates, commission rates, and maintenance expense rates. For long-term care, premium rate increases are also a key assumption. We apply an interest, or discount, rate to determine the present value of the expected future claims, commissions, and expenses we will pay as well as the expected future premiums we will receive, with no provision for future profit. The interest rate is based on our expected net investment returns on the investment portfolio supporting the reserves for these blocks of business. Under the gross premium valuation method, we do not include an embedded provision for the risk of adverse deviation from these assumptions. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient in the future.

Policy reserves for certain other products, excluding individual disability and individual and group long-term care, which are no longer actively marketed and are reported in our Closed Block segment represent \$5.7 billion on a gross basis. We have ceded \$5.0 billion of reserves related to the other products, which are primarily comprised of policy reserves, to reinsurers. The ceded reserve balance is reported in our consolidated balance sheets as a reinsurance recoverable. We continue to service a block of group pension products, which we have not ceded, and the policy reserves for these products are based on expected mortality rates and retirement rates. Expected future payments are discounted at interest rates reflecting the anticipated investment returns for the assets supporting the liabilities.

### Claim Reserves

Claim reserves are established when a claim is incurred or is estimated to have been incurred but not yet reported (IBNR) to us and, as prescribed by GAAP, equals our long-term best estimate of the present value of the liability for future claim payments and claim adjustment expenses. A claim reserve is based on actual known facts regarding the claim, such as the benefits available under the applicable policy, the covered benefit period, the age, and, as appropriate, the occupation and cause of disability of the claimant, as well as assumptions derived from our actual historical experience and expected future changes in experience for factors such as the claim duration, discount rate, and policy benefit offsets, including those for social security and other government-based welfare benefits. Reserves for IBNR claims, similar to incurred claim reserves, include our assumptions for claim duration and discount rates, but because we do not yet know the facts regarding the specific claims, these reserves are also established based on historical incidence rate assumptions, including claim reporting patterns, the average cost of claims, and the expected volumes of incurred claims. Our incurred claim reserves and IBNR claim reserves do not include any provision for the risk of adverse deviation from our assumptions.

Claim reserves, unlike policy reserves, are subject to revision as current claim experience and projections of future factors affecting claim experience change. Each quarter we review our emerging experience to ensure that our claim reserves are appropriate. If we believe, based on our actual experience and our view of future events, that our long-term assumptions need to be modified, we adjust our reserves accordingly with a charge or credit to our current period income.

Multiple estimation methods exist to establish claim reserve liabilities, with each method having its own advantages and disadvantages. Available reserving methods utilized to calculate claim reserves include the tabular reserve method, the paid loss development method, the incurred loss development method, the count and severity method, and the expected claim cost method. No single method is better than the others in all situations and for all product lines. The estimation methods we have chosen are those that we believe produce the most reliable reserves.

We use a tabular reserve methodology on reported claims for our Unum US group long-term disability and individual disability claims as well as for our Closed Block individual disability and group and individual long-term care claims. Under the tabular reserve methodology, reserves for reported claims are based on certain characteristics of the actual reported claimants, such as age, length of time disabled, and medical diagnosis, as well as assumptions regarding claim duration, discount rate, and policy benefit offsets. We believe the tabular reserve method is the most accurate to calculate long-term liabilities and allows us to use the most available known facts about each claim. IBNR claim reserves for our long-term products are calculated using the count and severity method using historical patterns of the claims to be reported and the associated claim costs. For Unum US group short-term disability products, an estimate of the value of future payments to be made on claims already submitted, as well as on

IBNR claims, is determined in aggregate using a paid loss development method rather than on the individual claimant basis that we use for reported claims on long-term products. The average length of time between the event triggering a claim under a policy and the final resolution of those claims is much shorter for these products than for our long-term liabilities and results in less estimation variability.

Claim reserves for Unum US group life and accidental death and dismemberment products are related primarily to death claims reported but not yet paid, IBNR death claims, and a liability for waiver of premium benefits. The death claim reserve is based on the actual face amount to be paid, the IBNR reserve is calculated using the paid loss development method, and the waiver of premium benefits reserve is calculated using the tabular reserve methodology.

Claim reserves supporting the group and individual dental and vision products reported in our Unum US and Colonial Life segments have a short claim payout period. As a result, the reserves, which primarily represent IBNR and a small amount of claims pending payment, are calculated using the paid loss development method.

Claim reserves supporting our Unum International segment are calculated using generally the same methodology that we use for Unum US disability and group term life reserves. Claim reserves for our Unum UK group dependent life product are calculated using discounted cash flows, based on our assumptions for claim duration and discount rates. The assumptions used in calculating claim reserves for this segment are based on standard country-specific industry experience, adjusted for our own experience.

The majority of the Colonial Life segment lines of business have short-term benefits, which generally have less estimation variability than our long-term products because of the shorter claim payout period. Our claim reserves for Colonial Life's lines of business are predominantly determined using the incurred loss development method based on our own experience. The incurred loss development method uses the historical patterns of payments by loss date to predict future claim payments for each loss date. Where the incurred loss development method may not be appropriate, we estimate the incurred claims using an expected claim cost per policy or other measure of exposure. The key assumptions for claim reserves for the Colonial Life segment lines of business are the timing, rate, and amount of estimated future claim payments; and the estimated expenses associated with the payment of claims.

The following table displays policy reserves, incurred claim reserves, and IBNR claim reserves by major product line, with the summation of the policy reserves and claim reserves shown both gross and net of the associated reinsurance recoverable. Incurred claim reserves represent the expected benefits payable under each incurred claim, along with other expenses associated with the payment of the claims. IBNR claim reserves include provisions for incurred but not reported claims and a provision for reopened claims for our disability products. The IBNR and reopened claim reserves for our disability products are developed and maintained in aggregate based on historical monitoring. Impacting year over year comparability of policy and claim reserves in the following chart are the 2020 long-term care and group pension reserve increases as well as the Closed Block individual disability reinsurance transaction that we entered into in December 2020. See "Executive Summary" contained herein in this Item 7 and Notes 6 and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

(in millions of dollars)

	December 31, 2020							
	Gross							
	Claim Reserves						Total Reinsurance Ceded	Total Net
	Policy Reserves	%	Incurred	IBNR	%	Total		
Group Disability	\$ —	— %	\$ 5,663.4	\$ 720.4	26.5 %	\$ 6,383.8	\$ 58.3	\$ 6,325.5
Group Life and Accidental Death & Dismemberment	58.8	0.3	715.4	261.3	4.0	1,035.5	3.0	1,032.5
Individual Disability	475.9	2.2	1,417.4	146.0	6.5	2,039.3	216.3	1,823.0
Voluntary Benefits	1,731.3	8.2	46.3	55.3	0.4	1,832.9	25.3	1,807.6
Dental and Vision	—	—	0.2	11.3	—	11.5	0.1	11.4
<b>Unum US Segment</b>	<b>2,266.0</b>	<b>10.7</b>	<b>7,842.7</b>	<b>1,194.3</b>	<b>37.4</b>	<b>11,303.0</b>	<b>303.0</b>	<b>11,000.0</b>
<b>Unum International Segment</b>	<b>208.4</b>	<b>1.0</b>	<b>2,077.0</b>	<b>138.6</b>	<b>9.2</b>	<b>2,424.0</b>	<b>89.9</b>	<b>2,334.1</b>
<b>Colonial Life Segment</b>	<b>2,354.8</b>	<b>11.2</b>	<b>329.0</b>	<b>117.4</b>	<b>1.8</b>	<b>2,801.2</b>	<b>4.5</b>	<b>2,796.7</b>
Individual Disability	196.3	0.9	9,641.9	144.2	40.5	9,982.4	7,810.1	2,172.3
Long-term Care	10,402.1	49.3	2,147.4	268.5	10.0	12,818.0	44.4	12,773.6
Other	5,675.0	26.9	166.1	113.1	1.1	5,954.2	4,966.3	987.9
<b>Closed Block Segment</b>	<b>16,273.4</b>	<b>77.1</b>	<b>11,955.4</b>	<b>525.8</b>	<b>51.6</b>	<b>28,754.6</b>	<b>12,820.8</b>	<b>15,933.8</b>
<b>Subtotal</b>	<b>\$ 21,102.6</b>	<b>100.0 %</b>	<b>\$ 22,204.1</b>	<b>\$ 1,976.1</b>	<b>100.0 %</b>	<b>45,282.8</b>	<b>13,218.2</b>	<b>32,064.6</b>
<b>Adjustment Related to Unrealized Investment Gains and Losses</b>						<b>6,225.6</b>	<b>200.2</b>	<b>6,025.4</b>
<b>Consolidated</b>						<b>\$ 51,508.4</b>	<b>\$ 13,418.4</b>	<b>\$ 38,090.0</b>

December 31, 2019

	Gross							
	Claim Reserves						Total Reinsurance Ceded	Total Net
	Policy Reserves	%	Incurred	IBNR	%	Total		
Group Disability	\$ —	— %	\$ 5,814.5	\$ 683.8	28.2 %	\$ 6,498.3	\$ 58.3	\$ 6,440.0
Group Life and Accidental Death & Dismemberment	59.9	0.3	721.1	234.2	4.1	1,015.2	6.2	1,009.0
Individual Disability	499.0	2.4	1,391.1	140.3	6.6	2,030.4	217.2	1,813.2
Voluntary Benefits	1,700.1	8.2	45.8	51.4	0.4	1,797.3	26.1	1,771.2
Dental and Vision	—	—	—	15.4	0.1	15.4	0.2	15.2
<b>Unum US Segment</b>	<b>2,259.0</b>	<b>10.9</b>	<b>7,972.5</b>	<b>1,125.1</b>	<b>39.4</b>	<b>11,356.6</b>	<b>308.0</b>	<b>11,048.6</b>
<b>Unum International Segment</b>	<b>186.5</b>	<b>0.9</b>	<b>1,986.4</b>	<b>110.0</b>	<b>9.1</b>	<b>2,282.9</b>	<b>87.6</b>	<b>2,195.3</b>
<b>Colonial Life Segment</b>	<b>2,229.0</b>	<b>10.8</b>	<b>297.4</b>	<b>113.2</b>	<b>1.8</b>	<b>2,639.6</b>	<b>6.2</b>	<b>2,633.4</b>
Individual Disability	258.8	1.3	8,724.1	172.7	38.5	9,155.6	1,669.4	7,486.2
Long-term Care	9,864.6	47.8	2,045.2	232.0	9.9	12,141.8	44.7	12,097.1
Other	5,847.9	28.3	177.6	120.5	1.3	6,146.0	5,133.1	1,012.9
<b>Closed Block Segment</b>	<b>15,971.3</b>	<b>77.4</b>	<b>10,946.9</b>	<b>525.2</b>	<b>49.7</b>	<b>27,443.4</b>	<b>6,847.2</b>	<b>20,596.2</b>
<b>Subtotal</b>	<b>\$ 20,645.8</b>	<b>100.0 %</b>	<b>\$ 21,203.2</b>	<b>\$ 1,873.5</b>	<b>100.0 %</b>	<b>43,722.5</b>	<b>7,249.0</b>	<b>36,473.5</b>
<b>Adjustment Related to Unrealized Investment Gains and Losses</b>						5,803.1	424.7	5,378.4
<b>Consolidated</b>						<b>\$ 49,525.6</b>	<b>\$ 7,673.7</b>	<b>\$ 41,851.9</b>

### Key Assumptions

The calculation of policy and claim reserves involves numerous assumptions, but the primary assumptions used to calculate reserves are (1) the discount rate, (2) the claim resolution rate, and (3) the claim incidence rate for policy reserves and IBNR claim reserves. Of these assumptions, our discount rate and claim resolution rate assumptions have historically had the most significant effects on our level of reserves because many of our product lines provide benefit payments over an extended period of time.

1. The *discount rate*, which is used in calculating both policy reserves and incurred and IBNR claim reserves, is the interest rate that we use to discount future claim payments to determine the present value. A higher discount rate produces a lower reserve. If the discount rate is higher than our future investment returns, our invested assets will not earn enough investment income to support our future claim payments. In this case, the reserves may eventually be insufficient. We set our assumptions based on our current and expected future investment yield of the assets supporting the reserves, considering current and expected future market conditions. If the investment yield on new investments that are purchased differs from the investment yield of the existing investment portfolio, the discount rate assumption on claims may be adjusted to reflect the impact of the new investment yield.
2. The *claim resolution rate*, used for both policy reserves and incurred and IBNR claim reserves, is the probability that a disability or long-term care claim will close due to recovery or death of the insured. It is important because it is used to estimate how long benefits will be paid for a claim. Estimated resolution rates that are set too high will result in reserves that are lower than they need to be to pay the claim benefits over time. Claim resolution assumptions involve many factors, including the cause of disability, the policyholder's age, the type of contractual benefits provided, and the time since initial disability. We primarily use our own

claim experience to develop our claim resolution assumptions. These assumptions are established for the probability of death and the probability of recovery from disability. Our studies review actual claim resolution experience over a number of years, with more weight placed on our experience in the more recent years. We also consider any expected future changes in claim resolution experience.

3. The *incidence rate*, used for policy reserves and IBNR claim reserves, is the rate at which new claims are submitted to us. The incidence rate is affected by many factors, including the age of the insured, the insured's occupation or industry, the benefit plan design, and certain external factors such as consumer confidence and levels of unemployment. We establish our incidence assumption using a historical review of actual incidence results along with an outlook of future incidence expectations.

Establishing reserve assumptions is complex and involves many factors. Reserves, particularly for policies offering insurance coverage for long-term disabilities and long-term care, are dependent on numerous assumptions other than just those presented in the preceding discussion. The impact of internal and external events, such as changes in claims operational procedures, economic trends such as the rate of unemployment and the level of consumer confidence, the emergence of new diseases, new trends and developments in medical treatments, and legal trends and legislative changes, including changes to social security and other government-based welfare benefits programs which provide policy benefit offsets, among other factors, will influence claim incidence rates, claim resolution rates, and claim costs. In addition, for policies offering coverage for disability or long-term care at advanced ages, the level and pattern of mortality rates at advanced ages will impact overall benefit costs. Reserve assumptions differ by product line and by policy type within a product line. Additionally, in any period and over time, our actual experience may have a positive or negative variance from our long-term assumptions, either singularly or collectively, and these variances may offset each other. We test the overall adequacy of our reserves using all assumptions and with a long-term view of our expected experience over the life of a block of business rather than test just one or a few assumptions independently that may be aberrant over a short period of time. Therefore, while it is possible to evaluate the sensitivity of overall adequacy results in our reserves based upon a change in each individual assumption, the actual impacts of changes to a variety of underlying assumptions must be considered in the aggregate by product line in order to judge the overall potential implications to reserve adequacy. The following section presents an overview of our trend analysis for key assumptions and the results of variability in our assumptions, in aggregate, for the reserves which we believe are reasonably possible to have a material impact on our future financial results if actual claims yield a materially different amount than what we currently expect and have reserved for, either favorable or unfavorable. In December 2020, we reinsured approximately 75 percent of our Closed Block individual disability business pursuant to a reinsurance agreement with Commonwealth and expect that we will complete the second phase of this transaction in the first quarter of 2021 to cede a significant portion of the remaining business. As a result, we are no longer incorporating this block of business into our discussion of trends in key assumptions below.

### Trends in Key Assumptions

Generally, we do not expect our mortality and morbidity claim incidence trends or our persistency trends to change significantly in the short-term, and to the extent that these trends do change, we expect those changes to be gradual over a longer period of time. We have historically experienced an increase in our group long-term disability morbidity claim incidence trends during and following a recessionary period and believe claim incidence trends may continue to somewhat follow general economic conditions and demographics of the general workforce. Regarding the 2020 COVID-19 pandemic, in the short-term we have experienced elevated mortality and anticipate continuation through part of 2021. However, at this time, our view on our long-term mortality and morbidity expectations has not been impacted by this limited experience.

Claim incidence rates for Unum US group long-term disability were generally consistent in 2020 compared to the prior year.

In 2020, both short-term and long-term interest rates decreased. The long-term interest rates supporting the majority of our lines of business remain below historical norms. The assumptions we used to discount reserves during this period were slightly lower for certain of our product lines. Reserve discount rate assumptions for new policies and new claims are periodically adjusted to reflect our current and expected net investment returns. Changes in our average discount rate assumptions tend to occur gradually over a longer period of time because of the long-duration investment portfolios which support the reserves for the majority of our lines of business.

Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period, both favorably and unfavorably. Claim resolution rates are very sensitive to operational and environmental changes and have a greater chance of significant variability in a shorter period of time than our other reserve assumptions. These rates are reviewed on a quarterly basis for the death and recovery components separately. Claim resolution rates in our Unum US group long-term disability product line have

exhibited some variability over the last several years. Relative to the resolution rate we expect to experience over the life of the block of business, actual quarterly rates during 2019 and 2020 have remained within 5 percent of our long-term assumptions in our Unum US group long-term disability line of business. Claim resolution rates for our group long-term disability product line have generally exhibited an increasing trend.

We monitor and test our reserves for adequacy relative to all of our assumptions in the aggregate. In our estimation, scenarios based on reasonably possible variations in each of our reserve assumptions for our Unum US group long-term disability product, when modeled together in aggregate, could produce a change in our reserve balance of \$201 million based on a 3.3 percent variation, favorable or unfavorable, in our assumptions. The major contributor to the variance is the claim resolution rate.

In addition to our Unum US group long-term disability line of business, we consider variability in our reserve assumptions related to long-term care policy reserves. These reserves are held under the gross premium valuation method and do not change after the date of loss recognition unless reserves are again determined to be deficient. As such, positive developments will result in the accumulation of reserve margin, while adverse developments would result in an additional reserve charge. Policy reserves for long-term care are based upon a number of key assumptions, and each assumption has various factors which may impact the long-term outcome. Key assumptions with respect to morbidity, mortality, claims incidence and resolutions, persistency, interest rates, and future premium rate increases must incorporate extended views of expectations for many years into the future. Reserves are highly sensitive to these estimates.

During the fourth quarter of 2020, we completed a review of policy reserve adequacy, which incorporated our most recent experience and included a review of all material assumptions. Based on our analysis, during the fourth quarter of 2020, we updated our interest rate and premium rate increase reserve assumptions from those established at our prior loss recognition in the third quarter of 2018 and determined that our gross long-term care policy and claim reserves should be increased by \$151.5 million.

Our long-term care discount rate assumption reflects our expectation that the low interest rate environment will continue to persist and our expected impact on future long-term care new money yield rates. Our updated expectation for long-term care new money yield rates assumes a 10-year treasury rate grading over 7 years to a rate of 3.25 percent, when we assume no further increase. Partially offsetting the impact from the discount rate assumption was a favorable update to our assumptions for premium rate increases based on approvals and inventory updates since the third quarter of 2018. The remaining key assumptions for our long-term care policy reserves remain materially unchanged from the third quarter of 2018.

Sensitivity analysis related to our key assumptions for long-term care reserves along with the potential impact to our reserve balance is as follows. This sensitivity analysis was completed as of the date of our assumption update in the fourth quarter of 2020 and will not be updated unless reserves are again determined to be deficient in the future.

Assumption	Sensitivity	Unfavorable		Favorable	
		<i>(in millions of dollars)</i>			
Active Policy Terminations	7.00 %	\$	420	\$	395
Claim Incidence	3.50 %	\$	435	\$	445
Claim Terminations	2.00 %	\$	260	\$	255
Morbidity/Mortality Improvement*	No Improvement/2.00%	\$	1,000	\$	650
Future Unapproved Rate Increases	10.00 %	\$	80	\$	80
New Money Rate	0.25 %	\$	275	\$	275
Discount Rate	0.25 %	\$	500	\$	500

\* Morbidity improvement has been observed in our claims experience over a ten year period, normalized for variables such as age and claims type.

Key assumptions and related impacts are also heavily interrelated in both their outcome and in their effects on reserves. For example, changes in the view of morbidity and mortality might be mitigated by either potential future premium rate increases and/or morbidity improvements due to general improvement in health and/or medical breakthroughs. There is potentially a wide range of outcomes for each assumption and in totality.

We believe that these ranges provide a reasonable estimate of the possible changes in reserve balances for those product lines where we believe it is possible that variability in the assumptions, in the aggregate, could result in a material impact on our reserve levels, but we record our reserves based on our long-term best estimate. Because these product lines have long-term claim payout periods, there is a greater potential for significant variability in claim costs, either positive or negative. We closely monitor emerging experience and use these results to inform our view of long-term assumptions.

### ***Deferred Acquisition Costs (DAC)***

We defer incremental direct costs associated with the successful acquisition of new or renewal insurance contracts and amortize these costs over the life of the related policies. Deferred costs include certain commissions, other agency compensation, selection and policy issue expenses, and field expenses. Acquisition costs that do not vary with the production of new business, such as commissions on group products which are generally level throughout the life of the policy, are excluded from deferral.

Approximately 93.4 percent of our DAC relates to non-interest sensitive products, and we amortize DAC for these products in proportion to the premium income we expect to receive over the life of the policies. DAC related to interest sensitive policies is amortized over the lives of the policies in relation to the present value of estimated gross profits from surrender charges, mortality margins, investment returns, and expense margins. Key assumptions used in developing the future amortization of DAC are persistency, premium income, and for our interest sensitive products, mortality margins and investment returns. We use our own historical experience and expectation of the future performance of our businesses in determining our assumptions. For non-interest sensitive products, the estimated premium income in the early years of the amortization period is generally higher than in the later years due to the anticipated cumulative effect of policy persistency in the early years, which results in a greater proportion of the costs being amortized in the early years of the life of the policy. Our key assumptions used to develop the future amortization of acquisition costs deferred during 2020 did not change materially from those used in 2019. Generally, we do not expect our key assumptions to change significantly in the short-term, and to the extent that these trends do change, we expect those changes to be gradual over a longer period of time.



The following are our current assumptions regarding our DAC balances:

	Amortization Period	Balance Remaining as a % of Year-end DAC Balance			DAC Balances at December 31	
		Year 3	Year 10	Year 15	2020	2019
<i>(in millions of dollars)</i>						
<b>Unum US</b>						
Group Disability	4-6	25%	0%	0%	\$ 95.3	\$ 99.1
Group Life and Accidental Death & Dismemberment	4-6	26%	0%	0%	76.4	79.7
Supplemental and Voluntary:						
Individual Disability	20	73%	26%	6%	423.6	426.1
Voluntary Benefits	10-29	59%	16%	5%	557.4	604.7
Dental and Vision	4	26%	0%	0%	16.0	13.4
<b>Unum International</b>						
Unum UK						
Group Long-term Disability	3	0%	0%	0%	2.8	2.7
Group Life	3	0%	0%	0%	1.2	1.4
Supplemental	20	55%	11%	2%	14.5	15.3
Unum Poland	30	75%	50%	37%	13.5	7.0
<b>Colonial Life</b>						
Accident, Sickness, and Disability	15	64%	10%	0%	563.2	553.4
Life	25	73%	24%	7%	278.7	283.6
Cancer and Critical Illness	19	79%	25%	5%	230.0	237.6
<b>Totals</b>					<u>\$ 2,272.6</u>	<u>\$ 2,324.0</u>

Amortization of DAC is adjusted to reflect actual experience for assumptions which deviate compared to the anticipated experience. Any deviations from projections may result in a change to the rate of amortization in the period such events occur. As an example, for our non-interest sensitive products, we may experience accelerated amortization if policies terminate earlier than projected, or we may experience a slower rate of amortization if policies persist longer than projected. Our actual experience has not varied materially from our assumptions during the last three years.

See Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our DAC accounting policy.

### *Fair Value of Investments*

All of our fixed maturity securities, which are classified as available-for-sale, and all of our unrestricted equity securities are reported at fair value. Our derivative financial instruments, including certain derivative instruments embedded in other contracts, are reported as either assets or liabilities and measured at fair value. We report our investments in private equity partnerships at our share of the partnerships' net asset value per share or its equivalent (NAV), as a practical expedient for fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and therefore represents an exit price, not an entry price. The exit price objective applies regardless of our intent and/or ability to sell the asset or transfer the liability at the measurement date. We generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities and the income approach converts future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. We believe the market approach valuation technique provides more observable data than the income approach, considering the types of investments we hold.

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. The market sources from which we obtain or derive the fair values of our assets and liabilities carried at market value include quoted market prices for actual trades, price quotes from third party pricing vendors, price quotes we obtain from outside brokers, discounted cash flow, and observable prices for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. Our fair value measurements could differ significantly based on the valuation technique and available inputs.

Inputs to valuation techniques refer broadly to the assumptions that market participants use in pricing assets or liabilities, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value and/or the risk inherent in the inputs to the valuation technique. We use observable and unobservable inputs in measuring the fair value of our financial instruments. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Certain of our investments do not have readily determinable market prices and/or observable inputs or may at times be affected by the lack of market liquidity. For these securities, we use internally prepared valuations, including valuations based on estimates of future profitability, to estimate the fair value. We consider key assumptions, such as risk-free interest rates and risk premium adjustments, in the valuation of these types of securities. 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.

As of December 31, 2020, approximately 9.6 percent of our fixed maturity securities were categorized as Level 1, 87.6 percent as Level 2, and 2.8 percent as Level 3. Level 1 is 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 Level 2 category includes assets or liabilities valued using inputs (other than those included in the Level 1 category) 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. The Level 3 category 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 using unobservable inputs to extrapolate an estimated fair value.

Rapidly changing credit and equity market conditions can materially impact the valuation of securities, and the period to period changes in value can vary significantly.

See Note 2 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## ***Investment Credit Losses***

One of the significant estimates related to investments is our credit loss valuation. In determining when a decline in fair value below amortized cost of a fixed maturity security represents a credit loss, we evaluate the following factors:

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

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 all 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 a credit loss is possible. The significance of the decline in value is also an important factor, but we generally do not record a credit loss based solely on this factor, since often other more relevant factors will impact our evaluation of a security.

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

We use a comprehensive rating system to evaluate the investment and credit risk of our mortgage loans and to identify specific properties for inspection and reevaluation. We estimate an allowance for credit losses that we expect to incur over the life of our mortgage loans using a probability of default method. For each loan, we estimate the probability that the loan will default before its maturity (probability of default) and the amount of the loss if the loan defaults (loss given default). These two factors result in an expected loss percentage that is applied to the amortized cost of each loan to determine the expected credit loss. Mortgage loans are reported at amortized cost less the allowance for expected credit losses with the change in expected credit losses recognized as a realized investment loss in our consolidated statements of income.

There are a number of significant risks inherent in the process of monitoring our investments for credit losses and determining when and if a credit loss exists. These risks and uncertainties include the following possibilities:

- The assessment of a borrower's ability to meet its contractual obligations will change.
- The economic outlook, either domestic or foreign, may be less favorable or may have a more significant impact on the borrower than anticipated, and as such, the investment may not recover in value.
- New information may become available concerning the security, such as disclosure of accounting irregularities, fraud, or corporate governance issues.
- Significant changes in credit spreads may occur in the related industry.
- Significant increases in interest rates may occur and may not return to levels similar to when securities were initially purchased.
- Adverse rating agency actions may occur.

See Notes 1 and 3 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## ***Pension and Postretirement Benefit Plans***

We sponsor several defined benefit pension and other postretirement benefit (OPEB) plans for our employees, including non-qualified pension plans. The U.S. qualified and non-qualified defined benefit pension plans comprise the majority of our total benefit obligation and benefit cost. We maintain a separate defined benefit plan for eligible employees in our U.K. operation. The U.S. defined benefit pension plans were closed to new entrants on December 31, 2013, the OPEB plan was closed to new entrants on December 31, 2012, and the U.K. plan was closed to new entrants on December 31, 2002.

### Assumptions

Our net periodic benefit costs and the value of our benefit obligations for these plans are determined based on a set of economic and demographic assumptions that represent our best estimate of future expected experience. Major assumptions used in accounting for these plans include the expected discount (interest) rate, the long-term rate of return on plan assets, and mortality rates. We also use, as applicable, expected increases in compensation levels and a weighted average annual rate of increase in the per capita cost of covered benefits, which reflects a health care cost trend rate, and the U.K. pension plan also uses expected cost of living increases to plan benefits.

The assumptions chosen for our pension and OPEB plans are reviewed annually, using a December 31 measurement date for each of our plans unless we are required to perform an interim remeasurement. The discount rate, expected long-term rate of return, and mortality rate assumptions have the most significant effect on our net periodic benefit costs associated with these plans. In addition to the effect of changes in our assumptions, the net periodic cost or benefit obligation under our pension and OPEB plans may change due to factors such as plan amendments, actual experience being different from our assumptions, special benefits to terminated employees, and/or changes in benefits provided under the plans.

- *Discount rate* - This interest assumption is based on the yield derived from a portfolio of high quality fixed income corporate debt instruments that reasonably match the timing and amounts of projected future benefits for each of our retirement-related benefit plans. The rate is determined at the measurement date. A lower discount rate increases the present value of benefit obligations and increases our net periodic benefit cost.
- *Long-term rate of return* - This assumption is selected from a range of probable return outcomes from an analysis of the asset portfolio. The market-related value as it relates to our estimate of long-term rate of return equals the fair value of plan assets, determined as of the measurement date. The return on plan assets recognizes all asset gains and losses, including changes in fair value, through the measurement date. Our expectations for the future investment returns of the asset categories are based on a combination of historical market performance, evaluations of investment forecasts obtained from external consultants and economists, and current market yields. The expected return for the total portfolio is calculated based on the plan's strategic asset allocation. The actual rate of return on plan assets is determined based on the fair value of the plan assets at the beginning and the end of the period, adjusted for contributions and benefit payments. A lower long-term rate of return on plan assets increases our net periodic benefit cost.

Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. We believe our investment portfolios are well diversified by asset class and sector, with no undue risk concentrations in any one category. See Note 9 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the investment portfolios for our plans.

- *Mortality rate* - This assumption reflects our best estimate, as of the measurement date, of the life expectancies of plan participants in order to determine the expected length of time for benefit payments. We derive our assumptions from industry mortality tables.

The weighted average assumptions used in the measurement of our net periodic benefit costs for the years ended December 31 are as follows:

Assumption	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2021	2020	2021	2020	2021	2020
Discount Rate	2.90 %	3.60 %	1.40 %	2.00 %	2.60 %	3.40 %
Expected Long-term Rate of Return on Plan Assets	6.00 %	7.00 %	3.50 %	4.10 %	5.75 %	5.75 %

The following illustrates the sensitivity of the below items to a 50 basis point change in the discount rate or the expected long-term rate of return on plan assets:

Assumption	At or for the Year Ended December 31, 2020			
	Change	Net Periodic Benefit Cost, Before Tax	Benefit Obligation	Stockholders' Equity, After Tax
Discount Rate	+ 50 bp	\$ (2.3)	\$ (201.8)	\$ 160.1
Discount Rate	- 50 bp	0.4	226.4	(179.5)
Expected Long-term Rate of Return on Plan Assets	+ 50 bp	(8.8)	N/A	N/A
Expected Long-term Rate of Return on Plan Assets	- 50 bp	8.8	N/A	N/A

#### Benefit Obligation and Fair Value of Plan Assets

During 2020, the fair value of plan assets in our U.S. qualified defined benefit pension plan increased \$110.9 million, or 6.9 percent due to a favorable return on assets which resulted in a gain of approximately 14.2 percent, partially offset by the payment of benefits and expenses. The fair value of plan assets in our U.K. pension plan increased £24.4 million, or 12.8 percent, due primarily to a favorable return on assets which resulted in a gain of approximately 14.9 percent. Although our rate of return on plan assets for 2020 exceeded our assumptions used in the measurement of our net periodic benefit costs, we believe our assumptions appropriately reflect the impact of the current economic environment and our expectations for the future investment returns based on the plan's asset allocation.

As of December 31, 2020, our pension and OPEB plans have an aggregate unrecognized net actuarial loss of \$827.4 million and an unrecognized prior service credit of \$2.1 million, which together represent the cumulative liability and asset gains and losses as well as the portion of prior service credits that have not been recognized in pension expense. The unrecognized net actuarial loss for our pension plans, which is \$838.4 million at December 31, 2020, will be amortized over the average remaining life expectancy of the plan, which is approximately 25 years for the U.S. plan and 31 years for the U.K. plan, to the extent that it exceeds the 10 percent corridor, as described below. The unrecognized net actuarial gain of \$11.0 million for our OPEB plan will be amortized over the average future working life of OPEB plan participants, estimated at three years, to the extent the gain is outside of the corridor. The corridor for the pension and OPEB plans is established based on the greater of 10 percent of the plan assets or 10 percent of the benefit obligation. At December 31, 2020, \$539.4 million of the actuarial loss was outside of the corridor for the U.S. plans and £29.6 million was outside of the corridor for the U.K. plan. At December 31, 2020, none of the actuarial gain was outside of the corridor for the OPEB plan.

The amortization of the unrecognized actuarial gain or loss and the unrecognized prior service credit is a component of our net periodic benefit cost and equaled \$19.7 million, \$18.4 million, and \$22.1 million in 2020, 2019, and 2018, respectively.

The fair value of plan assets in our U.S. qualified defined benefit pension plan was \$1,710.9 million at December 31, 2020, compared to \$1,600.0 million at December 31, 2019. The plan was in an underfunded position of \$339.0 million and \$300.8 million at December 31, 2020 and December 31, 2019, respectively. This year-over-year change was due primarily to the increase in period benefit obligations due to the decrease in discount rate, partially offset by higher than expected asset returns.

The fair value of plan assets in our U.K. pension plan was £215.1 million at December 31, 2020, compared to £190.7 million at December 31, 2019. The U.K. pension plan was in an underfunded position of £4.3 million and £3.1 million at December 31, 2020 and 2019, respectively. This year-over-year change was due primarily to the increase in period benefit obligations due to the decrease in discount rate, partially offset by higher than expected asset returns.

The fair value of plan assets in our OPEB plan was \$9.3 million and \$9.9 million at December 31, 2020 and 2019, respectively. These assets represent life insurance contracts to fund the life insurance benefit portion of our OPEB plan. Our OPEB plan represents a non-vested, non-guaranteed obligation, and current regulations do not require specific funding levels for these benefits, which are comprised of retiree life, medical, and dental benefits. It is our practice to use general assets to pay medical and dental claims as they come due in lieu of utilizing plan assets for the medical and dental benefit portions of our OPEB plan.

See Note 9 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

### ***Income Taxes***

We provide for federal, state, and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. Our accounting for income taxes represents our best estimate of various events and transactions. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws in a multitude of jurisdictions, both domestic and foreign. The amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect profitability.

We record a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is required in determining valuation allowances. In evaluating the ability to recover deferred tax assets, we consider all available positive and negative evidence including past operating results, the existence of cumulative losses in the most recent years, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies. In the event we determine that we most likely will not be able to realize all or part of our deferred tax assets in the future, an increase to the valuation allowance is charged to earnings in the period such determination is made. Likewise, if it is later determined that it is more likely than not that those deferred tax assets will be realized, the previously provided valuation allowance is reversed.

In establishing a liability for unrecognized tax benefits, assumptions are made in determining whether, and to what extent, a tax position may be sustained. GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in income tax returns. The evaluation of a tax position is a two step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure a position that satisfies the recognition threshold at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more likely than not threshold but that now satisfy the recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. If a previously recognized tax position is settled for an amount that is different from the amount initially measured, the difference will be recognized as a tax benefit or expense in the period the settlement is effective.

Changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on our provision for income tax and our effective tax rate, which could significantly affect the amounts reported in our financial statements.

In 2018, we refined our calculations during the one-year measurement period after the enactment date of TCJA as allowed by Staff Accounting Bulletin No. 118 and increased our provisional Repatriation Tax estimate by \$11.5 million to \$77.9 million.

See "Regulation" contained herein in Item 1. See Note 7 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

### ***Contingent Liabilities***

On a quarterly basis, we review relevant information with respect to litigation and contingencies to be reflected in our consolidated financial statements. An estimated loss is accrued when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. 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. See Note 14 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## **Accounting Developments**

For information on new accounting standards and the impact, if any, on our financial position or results of operations, see Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

## Consolidated Operating Results

(in millions of dollars)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Revenue</b>					
Premium Income	\$ 9,378.1	0.1 %	\$ 9,365.6	4.2 %	\$ 8,986.1
Net Investment Income	2,360.7	(3.1)	2,435.3	(0.7)	2,453.7
Net Realized Investment Gain (Loss)	1,199.1	N.M.	(23.2)	(41.3)	(39.5)
Other Income	224.2	1.4	221.2	11.6	198.2
<b>Total Revenue</b>	<b>13,162.1</b>	<b>9.7</b>	<b>11,998.9</b>	<b>3.5</b>	<b>11,598.5</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	8,972.9	19.7	7,496.2	(6.5)	8,020.4
Commissions	1,057.3	(5.8)	1,122.7	1.3	1,108.4
Interest and Debt Expense	188.2	6.1	177.4	6.0	167.3
Cost Related to Early Retirement of Debt	—	(100.0)	27.3	N.M.	—
Deferral of Acquisition Costs	(576.2)	(12.5)	(658.6)	(1.4)	(668.0)
Amortization of Deferred Acquisition Costs	606.1	(0.6)	609.9	7.9	565.5
Compensation Expense	953.2	6.1	898.3	1.4	885.9
Other Expenses	996.6	5.6	943.6	5.9	891.2
<b>Total Benefits and Expenses</b>	<b>12,198.1</b>	<b>14.9</b>	<b>10,616.8</b>	<b>(3.2)</b>	<b>10,970.7</b>
<b>Income Before Income Tax</b>	<b>964.0</b>	<b>(30.3)</b>	<b>1,382.1</b>	<b>120.1</b>	<b>627.8</b>
Income Tax	171.0	(39.3)	281.8	169.9	104.4
<b>Net Income</b>	<b>\$ 793.0</b>	<b>(27.9)</b>	<b>\$ 1,100.3</b>	<b>110.2</b>	<b>\$ 523.4</b>

N.M. = not a meaningful percentage

Fluctuations in exchange rates, particularly between the British pound sterling and the U.S. dollar for our U.K. operations, have an effect on our consolidated financial results. In periods when the pound weakens relative to the preceding period, translating pounds into dollars decreases current period results relative to the prior period. In periods when the pound strengthens, translating pounds into dollars increases current period results relative to the prior period.

The weighted average pound/dollar exchange rate for our Unum UK line of business was 1.287, 1.279, and 1.336 for 2020, 2019, and 2018, respectively. If the 2019 and 2018 results for our U.K. operations had been translated at the 2020 exchange rate, our adjusted operating revenue by segment would have been higher by approximately \$5 million in 2019, but lower by approximately \$24 million in 2018. Additionally, our adjusted operating income would have been higher by approximately \$1 million in 2019, but lower by approximately \$4 million in 2018. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert pounds into dollars. As a result, we view foreign currency translation as a financial reporting item and not a reflection of operations or profitability in the U.K.

Premium income increased in 2020 and 2019 in each of our principal operating business segments, while premium income continues to decline, as expected, in our Closed Block segment.

Net investment income was lower in 2020, relative to 2019, due to a decline in the yield on invested assets, a decrease in the level of invested assets supporting the Closed Block individual disability product line resulting from the reinsurance transaction that closed in December 2020, and lower income on our private equity partnerships. Partially offsetting the decline was an increase in the level of invested assets for our remaining product lines and higher miscellaneous investment income. Net investment income in 2019 was slightly lower than 2018 due to lower miscellaneous investment income and a decline in the yield on invested assets, partially offset by an increase in the level of invested assets.



We recognized a net realized investment gain totaling \$1,302.3 million in 2020 related to the transfer of investments in the Closed Block individual disability reinsurance transaction. Credit losses on fixed maturity securities of \$53.6 million were recognized in net realized investment gains and losses in 2020 compared to \$25.3 million and \$17.5 million in 2019 and 2018. We also recognized \$36.6 million of impairment losses in 2020 related to certain of our home office buildings available for lease and classified as investment real estate. Also, included in net realized investment gains and losses were changes in the fair value of an embedded derivative in a modified coinsurance arrangement, which resulted in realized gains (losses) of \$(17.0) million, \$8.3 million, and \$(15.2) million in 2020, 2019, and 2018, respectively. See Notes 3 and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

Other income is primarily comprised of fee-based service products in the Unum US segment, which include leave management services and administrative only (ASO) business, and the underlying results and associated net investment income of certain assumed blocks of individual disability reinsured business in the Closed Block segment.

Overall benefits experience was unfavorable in 2020 relative to the prior periods, with a consolidated benefit ratio of 95.7 percent in 2020 compared to 80.0 percent in 2019 and 89.3 percent in 2018. Excluding the 2020 long-term care reserve increase, group pension reserve increase and impacts from the Closed Block individual disability reinsurance transaction the benefit ratio for 2020 was 80.2 percent. Excluding the 2018 long-term care reserve increase, the benefit ratio for 2018 was 80.9 percent. The underlying benefits experience for each of our operating business segments is discussed more fully in "Segment Results" contained herein in this Item 7.

Commissions and the deferral of acquisition costs were lower in 2020 compared to 2019 driven primarily by lower sales in our Unum US voluntary benefits product line and Colonial Life segment. Commissions increased in 2019 compared to 2018 driven primarily by sales growth. The deferral of acquisition costs was lower during 2019 relative to 2018 due primarily to a shift in product mix that resulted in lower first-year commissions and a lower corresponding deferral of acquisition costs in the Unum US supplemental and voluntary product line. The amortization of deferred acquisition costs was generally consistent with 2019. Growth in the level of the deferred asset in our Unum US and Colonial Life segments resulted in higher amortization of deferred acquisition costs in 2019 compared to 2018. Also contributing to the increase in the amortization of deferred acquisition costs in 2019 was a higher level of policy terminations experienced in the Unum US voluntary benefits product line and the impact of the prospective unlocking for future experience relative to assumptions in certain of our Colonial life products.

Interest and debt expense increased year-over-year in 2020 and 2019 due primarily to a higher level of outstanding debt. Cost related to early retirement of debt includes costs associated with the purchase and retirement of \$433.1 million aggregate liquidation/principal amount of our outstanding capital and debt securities in 2019. See Note 8 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

Other expenses, including compensation expense, increased in each of the years presented above due to operational investments in our business and growth in our fee-based service products, which was balanced with our continued focus on expense management and operating efficiencies. Included in other expenses for 2020 are costs related to an organizational design update, an impairment loss on the ROU asset related to an operating lease for office space, costs related to the Closed Block individual disability reinsurance transaction, and an increase in the provision for the allowance for expected credit losses on premium receivable balances.

Our effective income tax rate for 2020 was 17.7 percent, compared to 20.4 percent in 2019 and 16.6 percent in 2018. Our 2020, 2019, and 2018 effective tax rates differed from the U.S. statutory rate of 21 percent due to favorable tax credits, with additional favorable adjustments in 2018 related to our prior year tax return. Also impacting the difference between the effective tax rate and the U.S. statutory rate in 2020 was the unfavorable impact of the U.K. tax rate increase, as well as the favorable impact related to net operating loss carryback. See Note 7 in the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

## Consolidated Sales Results

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

*(in millions)*

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Unum US</b>	\$ 999.6	(10.0)%	\$ 1,110.1	(0.4)%	\$ 1,114.6
<b>Unum International</b>	\$ 90.5	(9.5)%	\$ 100.0	14.9 %	\$ 87.0
<b>Colonial Life</b>	\$ 413.1	(27.0)%	\$ 566.0	0.8 %	\$ 561.3

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

Sales, persistency of the existing block of business, employment and salary growth, and the effectiveness of a renewal program are indicators of growth in premium income. Trends in new sales, as well as existing market share, also indicate the potential for growth in our respective markets and the level of market acceptance of price levels and new product offerings. Sales results may fluctuate significantly due to case size and timing of sales submissions. Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption in our sales activity in 2021.

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

## Segment Results

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

In describing our results, we may at times note certain items and exclude the impact on financial ratios and metrics 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. We also measure and analyze our segment performance on the basis of "adjusted operating revenue" and "adjusted operating income" or "adjusted operating loss", which differ from total revenue and income before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses and certain other items. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for total revenue, income before income tax, or net income. See "Reconciliation of Non-GAAP Financial Measures" contained herein in this Item 7.

### Unum US Segment

The Unum US segment is comprised of group disability insurance, which includes our long-term and short-term disability products, our medical stop-loss product, and our fee-based leave management services and ASO business, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business, which are comprised of individual disability, voluntary benefits, and dental and vision products.

#### *Unum US Operating Results*

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

*(in millions of dollars, except ratios)*

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income	\$ 6,018.9	— %	\$ 6,016.6	4.9 %	\$ 5,736.4
Net Investment Income	720.3	(2.6)	739.4	(5.0)	778.7
Other Income	154.9	8.5	142.8	20.5	118.5
<b>Total</b>	<b>6,894.1</b>	<b>(0.1)</b>	<b>6,898.8</b>	<b>4.0</b>	<b>6,633.6</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	4,138.7	2.9	4,022.1	4.3	3,856.5
Commissions	594.9	(5.3)	628.5	1.3	620.6
Deferral of Acquisition Costs	(291.5)	(12.9)	(334.5)	(2.8)	(344.0)
Amortization of Deferred Acquisition Costs	341.0	(0.9)	344.0	9.2	315.1
Other Expenses	1,285.6	6.5	1,207.6	3.1	1,170.8
<b>Total</b>	<b>6,068.7</b>	<b>3.4</b>	<b>5,867.7</b>	<b>4.4</b>	<b>5,619.0</b>
<b>Adjusted Operating Income</b>	<b>\$ 825.4</b>	<b>(19.9)</b>	<b>\$ 1,031.1</b>	<b>1.6</b>	<b>\$ 1,014.6</b>
<b>Operating Ratios (% of Premium Income):</b>					
Benefit Ratio	68.8 %		66.9 %		67.2 %
Other Expense Ratio	21.4 %		20.1 %		20.4 %
Adjusted Operating Income Ratio	13.7 %		17.1 %		17.7 %

## 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)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Group Long-term Disability	\$ 1,828.5	0.3 %	\$ 1,823.1	3.2 %	\$ 1,766.2
Group Short-term Disability	799.2	4.0	768.8	8.8	706.3
Total Premium Income	2,627.7	1.4	2,591.9	4.8	2,472.5
Net Investment Income	388.8	(3.2)	401.5	(7.2)	432.7
Other Income	147.6	10.3	133.8	22.8	109.0
<b>Total</b>	<b>3,164.1</b>	<b>1.2</b>	<b>3,127.2</b>	<b>3.7</b>	<b>3,014.2</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	1,921.9	(0.3)	1,927.9	2.5	1,880.7
Commissions	191.8	(1.0)	193.8	3.9	186.5
Deferral of Acquisition Costs	(49.3)	(0.4)	(49.5)	2.7	(48.2)
Amortization of Deferred Acquisition Costs	53.1	4.7	50.7	13.4	44.7
Other Expenses	756.6	12.6	672.1	9.8	612.2
<b>Total</b>	<b>2,874.1</b>	<b>2.8</b>	<b>2,795.0</b>	<b>4.5</b>	<b>2,675.9</b>
<b>Adjusted Operating Income</b>	<b>\$ 290.0</b>	<b>(12.7)</b>	<b>\$ 332.2</b>	<b>(1.8)</b>	<b>\$ 338.3</b>
Operating Ratios (% of Premium Income):					
Benefit Ratio	73.1 %		74.4 %		76.1 %
Other Expense Ratio	28.8 %		25.9 %		24.8 %
Adjusted Operating Income Ratio	11.0 %		12.8 %		13.7 %
Persistency:					
Group Long-term Disability	90.8 %		90.7 %		90.9 %
Group Short-term Disability	88.7 %		89.8 %		87.2 %

#### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income increased compared to 2019, driven primarily by growth in the in-force block resulting from higher prior period sales, partially offset by lower persistency in the short-term disability product line. Net investment income was lower relative to 2019 due to a decline in yield on invested assets and a lower level of invested assets, partially offset by higher miscellaneous investment income. Other income increased relative to 2019 due to continued growth in our fee-based service products.

Benefits experience was favorable compared to 2019 due primarily to favorable claim recovery experience in our group long-term disability product line, partially offset by higher claims incidence in the short-term disability product line, resulting from the impacts of COVID-19.

Commissions and the deferral of acquisition costs were slightly lower compared to 2019 due to lower sales. The amortization of deferred acquisition costs increased relative to 2019 due to growth in the level of the deferred asset. Our other expense ratio for 2020 increased compared to 2019 due primarily to an increase in expenses associated with the administration of our fee-based service products, partially elevated from higher volumes due to the current COVID-19 environment. Also contributing to the higher expense ratio was an increase in operational investments in our business which was balanced with our continued focus on expense management and operating efficiencies.

We had goodwill of \$8.9 million at December 31, 2020, none of which is currently believed to be at risk for future impairment.

#### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income increased compared to 2018, driven primarily by growth in the in-force block resulting from higher prior period sales and higher persistency in the group short-term disability product line. Net investment income was lower relative to 2018 due to lower miscellaneous investment income, a decline in yield on invested assets, and a lower level of invested assets. Other income increased relative to 2018 due to growth in our fee-based service products.

Benefits experience was favorable compared to 2018 due primarily to favorable claim recovery experience in our group long-term disability product line, partially offset by higher claims incidence in both our group long-term and short-term disability product lines.

Commissions and the deferral of acquisition costs were higher compared to 2018 due to sales growth. The amortization of deferred acquisition costs increased relative to 2018 due to growth in the level of the deferred asset. Our other expense ratio for 2019 increased compared to 2018 due primarily to an increase in operational investments in our business and growth in our fee-based service products, which was balanced with our continued focus on expense management and operating efficiencies.

## Unum US Group Life and Accidental Death and Dismemberment Operating Results

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

(in millions of dollars, except ratios)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Group Life	\$ 1,640.5	(1.3)%	\$ 1,662.0	4.9 %	\$ 1,583.7
Accidental Death & Dismemberment	163.9	(1.1)	165.7	6.0	156.3
Total Premium Income	1,804.4	(1.3)	1,827.7	5.0	1,740.0
Net Investment Income	97.2	(9.5)	107.4	0.8	106.5
Other Income	2.4	(11.1)	2.7	(42.6)	4.7
<b>Total</b>	<b>1,904.0</b>	<b>(1.7)</b>	<b>1,937.8</b>	<b>4.7</b>	<b>1,851.2</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	1,470.4	11.9	1,314.1	6.2	1,237.7
Commissions	143.2	(3.0)	147.7	4.7	141.1
Deferral of Acquisition Costs	(36.0)	(4.8)	(37.8)	(1.0)	(38.2)
Amortization of Deferred Acquisition Costs	39.3	3.1	38.1	6.1	35.9
Other Expenses	205.3	(1.8)	209.0	(2.6)	214.6
<b>Total</b>	<b>1,822.2</b>	<b>9.0</b>	<b>1,671.1</b>	<b>5.0</b>	<b>1,591.1</b>
<b>Adjusted Operating Income</b>	<b>\$ 81.8</b>	<b>(69.3)</b>	<b>\$ 266.7</b>	<b>2.5</b>	<b>\$ 260.1</b>
Operating Ratios (% of Premium Income):					
Benefit Ratio	81.5 %		71.9 %		71.1 %
Other Expense Ratio	11.4 %		11.4 %		12.3 %
Adjusted Operating Income Ratio	4.5 %		14.6 %		14.9 %
Persistency:					
Group Life	88.8 %		90.6 %		91.2 %
Accidental Death & Dismemberment	88.2 %		89.9 %		89.9 %

#### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income decreased compared to 2019 due to lower sales and persistency. Net investment income was lower compared to 2019 due to a decline in yield on invested assets and a lower level of invested assets.

Benefits experience was unfavorable compared to 2019 due primarily to higher claims incidence in the group life product line, resulting from the impacts of COVID-19, partially offset by favorable experience in the accidental death and dismemberment product line.

Commissions and the deferral of acquisition costs were lower compared to 2019 due to lower sales. The amortization of deferred acquisition costs increased relative to 2019 due to growth in the level of the deferred asset. The other expense ratio was consistent with 2019.

#### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income increased compared to 2018 due to growth in the in-force block resulting from prior period sales growth. Net investment income was slightly higher in 2019 compared to 2018 due to a higher level of invested assets, partially offset by lower miscellaneous income and a decline in yield on invested assets.

Benefits experience was unfavorable compared to 2018 due primarily to a higher average claim size in the group life product line.

Commissions were higher compared to 2018 due to prior period sales growth. The deferral of acquisition costs was generally consistent with 2018. The amortization of deferred acquisition costs increased relative to 2018 due to growth in the level of the deferred asset. The other expense ratio improved compared to 2018 due to our continued focus on expense management and operating efficiencies balanced with operational investments in our business.

## 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)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Individual Disability	\$ 456.0	3.5 %	\$ 440.7	3.6 %	\$ 425.4
Voluntary Benefits	875.2	(3.8)	910.2	1.6	895.7
Dental and Vision	255.6	3.9	246.1	21.4	202.8
Total Premium Income	1,586.8	(0.6)	1,597.0	4.8	1,523.9
Net Investment Income	234.3	1.6	230.5	(3.8)	239.5
Other Income	4.9	(22.2)	6.3	31.3	4.8
<b>Total</b>	<b>1,826.0</b>	<b>(0.4)</b>	<b>1,833.8</b>	<b>3.7</b>	<b>1,768.2</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	746.4	(4.3)	780.1	5.7	738.1
Commissions	259.9	(9.4)	287.0	(2.0)	293.0
Deferral of Acquisition Costs	(206.2)	(16.6)	(247.2)	(4.0)	(257.6)
Amortization of Deferred Acquisition Costs	248.6	(2.6)	255.2	8.8	234.5
Other Expenses	323.7	(0.9)	326.5	(5.1)	344.0
<b>Total</b>	<b>1,372.4</b>	<b>(2.1)</b>	<b>1,401.6</b>	<b>3.7</b>	<b>1,352.0</b>
<b>Adjusted Operating Income</b>	<b>\$ 453.6</b>	<b>5.0</b>	<b>\$ 432.2</b>	<b>3.8</b>	<b>\$ 416.2</b>
Operating Ratios (% of Premium Income):					
Benefit Ratios:					
Individual Disability	48.8 %		50.9 %		50.6 %
Voluntary Benefits	42.2 %		41.8 %		42.8 %
Dental and Vision	60.6 %		71.1 %		68.5 %
Other Expense Ratio	20.4 %		20.4 %		22.6 %
Adjusted Operating Income Ratio	28.6 %		27.1 %		27.3 %
Persistence:					
Individual Disability	89.5 %		89.8 %		90.3 %
Voluntary Benefits	72.7 %		73.2 %		75.9 %
Dental and Vision	85.0 %		82.6 %		84.5 %



#### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income decreased compared to 2019, with a decline in the voluntary benefits product line, mostly offset by growth in the individual disability and dental and vision product lines. Net investment income was higher compared to 2019 due to higher miscellaneous investment income and an increase in the level of invested assets, partially offset by a decline in yield on invested assets.

Benefits experience for the individual disability product line was favorable compared to 2019 due to both favorable claim recoveries and mortality experience. Benefits experience for voluntary benefits was unfavorable compared to 2019 due primarily to higher claims incidence in the life and disability product line, resulting from the impacts of COVID-19. Benefits experience for the dental and vision product line was favorable compared to 2019 driven by lower claims incidence resulting from the impacts of COVID-19.

Commissions and the deferral of acquisition costs were lower in 2020 compared to 2019 due primarily to lower sales in the voluntary benefits product line. The amortization of deferred acquisition costs decreased in 2020 relative to 2019 due primarily to a decline in the level of the deferred asset in the voluntary benefits product line. The other expense ratio was consistent compared to 2019 due to our continued focus on expense management and operating efficiencies.

We had goodwill of \$271.1 million at December 31, 2020, none of which is currently believed to be at risk for future impairment.

#### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income increased compared to 2018 driven by prior period sales growth and the continued expansion of our dental and vision product line, partially offset by unfavorable persistency. Net investment income was lower compared to 2018 due to lower miscellaneous investment income and a decline in yield on invested assets, partially offset by an increase in the level of invested assets.

Benefits experience for the individual disability product line was slightly less favorable compared to 2018 due to less favorable mortality experience, mostly offset by lower claims incidence and favorable claim recovery experience. Benefits experience for voluntary benefits was favorable compared to 2018 due primarily to the release of active life reserves resulting from a higher level of policy terminations during 2019. Benefits experience for the dental and vision product line was unfavorable compared to 2018 driven by higher claims utilization.

Commissions and the deferral of acquisition costs were lower in 2019 compared to 2018 due primarily to a shift in product mix that resulted in lower first-year commissions and a lower corresponding deferral of acquisition costs, partially offset by higher sales in the dental and vision product line. The amortization of deferred acquisition costs increased in 2019 relative to 2018 due primarily to the impact of a higher level of policy terminations, particularly in the voluntary benefits product line. Our other expense ratio improved relative to 2018 due to growth in premium income and our continued focus on expense management and operating efficiencies balanced with operational investments in our business.

## Sales

(in millions of dollars)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Sales by Product</b>					
Group Disability and Group Life and AD&D					
Group Long-term Disability	\$ 239.7	(0.7)%	\$ 241.5	(0.9)%	\$ 243.8
Group Short-term Disability	158.7	(0.3)	159.2	14.8	138.7
Group Life and AD&D	224.3	(13.2)	258.3	(8.5)	282.4
Subtotal	622.7	(5.5)	659.0	(0.9)	664.9
Supplemental and Voluntary					
Individual Disability	71.4	(5.9)	75.9	(1.7)	77.2
Voluntary Benefits	241.6	(19.6)	300.6	(0.8)	303.1
Dental and Vision	63.9	(14.3)	74.6	7.5	69.4
Subtotal	376.9	(16.4)	451.1	0.3	449.7
<b>Total Sales</b>	<b>\$ 999.6</b>	<b>(10.0)</b>	<b>\$ 1,110.1</b>	<b>(0.4)</b>	<b>\$ 1,114.6</b>

<b>Sales by Market Sector</b>					
Group Disability and Group Life and AD&D					
Core Market (< 2,000 employees)	\$ 377.0	1.7 %	\$ 370.8	(6.2)%	\$ 395.1
Large Case Market	245.7	(14.7)	288.2	6.8	269.8
Subtotal	622.7	(5.5)	659.0	(0.9)	664.9
Supplemental and Voluntary	376.9	(16.4)	451.1	0.3	449.7
<b>Total Sales</b>	<b>\$ 999.6</b>	<b>(10.0)</b>	<b>\$ 1,110.1</b>	<b>(0.4)</b>	<b>\$ 1,114.6</b>

### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Group sales increased in the core market, which we define as employee groups with fewer than 2,000 employees, compared to 2019 due to growth in our medical stop-loss product, partially offset by lower sales to new and existing customers in our group disability and group life products. Group sales declined in the large case market compared to 2019 due to lower sales to new and existing customers in all products. The sales mix in the group market sector for 2020 was approximately 61 percent core market and 39 percent large case market.

Individual disability sales, which are primarily concentrated in the multi-life market, decreased compared to 2019 due to lower sales to both new and existing customers. Voluntary benefits sales decreased compared to 2019, driven by lower new and existing customer sales in both the core and large case markets. Dental and vision sales decreased compared to 2019 driven by lower sales to both new and existing customers.

We believe the lower sales levels during 2020 compared to 2019 are driven by the impact of COVID-19, which has caused higher unemployment levels and general uncertainty around the financial condition of our customers as well as disruption in our sales processes. Further discussion of COVID-19 is contained herein in "Executive Summary" in this Item 7.

### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Group sales declined slightly compared to 2018 due to lower new customer sales in both the core market and large case markets, partially offset by higher sales to existing customers in both the core and large case markets and growth in our medical stop-loss product. The sales mix in the group market sector for 2019 was approximately 56 percent core market and 44 percent large case market.

Individual disability sales decreased compared to 2018 due to lower sales to new customers. Voluntary benefits sales decreased slightly compared to 2018, primarily driven by lower sales to new customers in the core market, partially offset by higher sales

to new customers in the large case market. Dental and vision sales increased compared to 2018 driven by higher sales to both new and existing customers.

### ***Segment Outlook***

We remain committed to offering consumers a broad set of financial protection benefit products at the worksite. During 2021, we will continue to invest in a unique customer experience defined by simplicity, empathy, and deep industry expertise through the re-design of our processes and the increased utilization of digital capabilities and technology to enhance enrollment, underwriting, and claims processing. In addition, we will continue to focus on the expansion of our portfolio of products. In particular, with respect to smaller employers, we will continue to provide comprehensive consumer-focused products, enhance our distribution model, and utilize our MyUnum platform and digital tools to bring industry leading enrollment capabilities and a fully integrated customer experience. Our differentiated offering with HR Connect and significant investment in leave management services will allow for substantial growth opportunities, particularly with larger employers, and stronger persistency in our core products. We believe our active client management and differentiated integrated customer experience across our product lines, underpinned by strong risk management, will continue to enable us to grow our market over the long-term.

Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption in our sales activity and ultimately premium income in 2021, particularly in the first half of the year. We could also continue to experience claims volatility, particularly in our short-term disability and group and voluntary life products as well as potential disruption in our overall claims processing activity which can result in short-term unfavorable experience. In addition, we could continue to experience an increase in the volume of activity associated with our leave management product which would lead to an increase in expenses. The low interest rate environment continues to place pressure on our profit margins by impacting net investment income yields as well as potentially discount rates on our insurance liabilities. Our net investment income may continue to be unfavorably impacted by fluctuations in miscellaneous investment income. As part of our continued pricing discipline and our reserving methodology, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate. We continuously monitor key indicators to assess our risks and adjust our business plans accordingly.

## Unum International Segment

The Unum International segment is comprised of our operations in both the United Kingdom and Poland. Our Unum UK products include insurance for group long-term disability, group life, and supplemental lines of business, which includes dental, individual disability, and critical illness products. Our Unum Poland products include insurance for individual and group life with accident and health riders. Unum International's products are sold primarily through field sales personnel and independent brokers and consultants.

### Operating Results

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

(in millions of dollars, except ratios)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Unum UK					
Group Long-term Disability	\$ 364.9	3.3 %	\$ 353.4	(1.5)%	\$ 358.9
Group Life	108.5	(6.2)	115.7	4.4	110.8
Supplemental	99.8	11.5	89.5	9.5	81.7
Unum Poland*	79.6	10.7	71.9	N.M.	17.4
Total Premium Income	652.8	3.5	630.5	10.8	568.8
Net Investment Income	104.6	(14.6)	122.5	4.5	117.2
Other Income	0.5	(16.7)	0.6	50.0	0.4
<b>Total</b>	<b>757.9</b>	<b>0.6</b>	<b>753.6</b>	<b>9.8</b>	<b>686.4</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	500.9	6.6	469.8	11.9	419.8
Commissions	49.7	2.1	48.7	24.6	39.1
Deferral of Acquisition Costs	(12.1)	(5.5)	(12.8)	58.0	(8.1)
Amortization of Deferred Acquisition Costs	7.4	4.2	7.1	(13.4)	8.2
Other Expenses	135.4	1.9	132.9	17.1	113.5
<b>Total</b>	<b>681.3</b>	<b>5.5</b>	<b>645.7</b>	<b>12.8</b>	<b>572.5</b>
<b>Adjusted Operating Income</b>	<b>\$ 76.6</b>	<b>(29.0)</b>	<b>\$ 107.9</b>	<b>(5.3)</b>	<b>\$ 113.9</b>

\* Results reflect activity subsequent to the October 1, 2018 acquisition of Unum Poland. See "2018 Acquisitions of Business" contained in "Executive Summary" herein in this Item 7 for further discussion.

N.M. = not a meaningful percentage

### Foreign Currency Translation

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

Fluctuations in exchange rates have an effect on Unum International's reported financial results and our consolidated financial results. In periods when the functional currency strengthens relative to the preceding period, translation increases current period

results relative to the prior period. In periods when the functional currency weakens, translation decreases current period results relative to the prior period.

### **Goodwill**

We had total goodwill of \$45.3 million for the Unum International segment at December 31, 2020, of which, \$40.2 million is attributed to the Unum UK reporting unit and \$5.1 million is attributed to the Unum Poland reporting unit. Fair value of our reporting units is estimated using a combination of the income and market approaches and the key assumptions used are projected earnings and discount rate. To the extent that the future profitability of these reporting units deteriorates from current assumptions, the goodwill related to the reporting units could be at risk for impairment.

### **Unum UK Operating Results**

Shown below are financial results and key performance indicators for the Unum UK product lines in functional currency.

*(in millions of pounds, except ratios)*

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Group Long-term Disability	£ 284.2	2.7 %	£ 276.8	2.9 %	£ 269.0
Group Life	84.6	(6.7)	90.7	9.3	83.0
Supplemental	77.7	11.0	70.0	14.2	61.3
Total Premium Income	446.5	2.1	437.5	5.9	413.3
Net Investment Income	76.0	(16.0)	90.5	4.6	86.5
Other Income	0.1	(50.0)	0.2	N.M.	—
<b>Total</b>	<b>522.6</b>	<b>(1.1)</b>	<b>528.2</b>	<b>5.7</b>	<b>499.8</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	352.5	5.1	335.5	9.1	307.4
Commissions	28.1	(1.7)	28.6	5.5	27.1
Deferral of Acquisition Costs	(4.2)	(22.2)	(5.4)	8.0	(5.0)
Amortization of Deferred Acquisition Costs	5.3	(1.9)	5.4	(11.5)	6.1
Other Expenses	86.5	3.3	83.7	4.4	80.2
<b>Total</b>	<b>468.2</b>	<b>4.6</b>	<b>447.8</b>	<b>7.7</b>	<b>415.8</b>
<b>Adjusted Operating Income</b>	<b>£ 54.4</b>	<b>(32.3)</b>	<b>£ 80.4</b>	<b>(4.3)</b>	<b>£ 84.0</b>
Weighted Average Pound/Dollar Exchange Rate	1.287		1.279		1.336
Operating Ratios (% of Premium Income):					
Benefit Ratio	78.9 %		76.7 %		74.4 %
Other Expense Ratio	19.4 %		19.1 %		19.4 %
Adjusted Operating Income Ratio	12.2 %		18.4 %		20.3 %
Persistency:					
Group Long-term Disability	88.2 %		89.9 %		87.8 %
Group Life	81.8 %		89.0 %		88.5 %
Supplemental	90.7 %		89.9 %		93.1 %

*N.M. = not a meaningful percentage*

### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income was higher compared to 2019 due to growth in the in-force blocks and the impact of rate increases in the group long-term disability product line.

Net investment income was lower compared to 2019 due to lower miscellaneous investment income resulting from a higher than normal level of bond calls in 2019, a decline in the yield on fixed-rate bonds, and lower investment income from inflation index-linked bonds. Our investments in inflation index-linked bonds support the claim reserves associated with certain group policies that provide for inflation-linked increases in benefits. The change in net investment income attributable to these index-linked bonds is generally offset by a change in the reserves for future claim payments related to the inflation index-linked group long-term disability and group life policies.

Benefits experience was unfavorable relative to 2019 due to lower claim resolutions in the group long-term disability product line resulting from the continued disruption in claim processes related to COVID-19 and higher claim incidence in the group life product line, partially offset by the impact of lower inflation-linked increases in benefits related to our group products.

Commissions and the deferral of acquisition costs were lower relative to 2019 due to lower sales. The amortization of acquisition costs was generally consistent with the prior year. The other expense ratio increased relative to 2019 with certain expenses related to COVID-19 mostly offset by our continued focus on expense management and operating efficiencies.

### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income increased compared to 2018 due to higher overall persistency, sales growth, and the impact of rate increases in the group long-term disability product line.

Net investment income increased compared to 2018 due to higher miscellaneous investment income that resulted from a higher than normal level of bond calls, and a higher level of invested assets, partially offset by a lower yield on fixed-rate bonds and lower investment income from inflation index-linked bonds. The decrease in net investment income attributable to these index-linked bonds was offset by a decrease in the reserves for future claim payments related to the inflation index-linked group long-term disability and group life policies.

Benefits experience was unfavorable relative to 2018 due to unfavorable mortality experience and a reduction in the claim reserve discount rate to recognize the impact on future portfolio yields from the higher than normal level of bond calls experienced during 2019, partially offset by lower inflation-linked increases in benefits related to our group products.

Commissions and the deferral of acquisition costs increased relative to 2018 due to higher sales. The amortization of acquisition costs was lower in 2019 compared to 2018 due to a decline in the level of the deferred asset. The other expense ratio was lower relative to 2018 due to higher premiums and our continued focus on expense management.

## Sales

(in millions of dollars and pounds)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Unum International Sales by Product</b>					
Unum UK					
Group Long-term Disability	\$ 37.7	(12.7)%	\$ 43.2	(3.4)%	\$ 44.7
Group Life	20.6	(15.2)	24.3	13.0	21.5
Supplemental	18.9	(3.1)	19.5	12.1	17.4
Unum Poland*	13.3	2.3	13.0	N.M.	3.4
<b>Total Sales</b>	<b>\$ 90.5</b>	<b>(9.5)</b>	<b>\$ 100.0</b>	<b>14.9</b>	<b>\$ 87.0</b>

<b>Unum International Sales by Market Sector</b>					
Unum UK					
Group Long-term Disability and Group Life					
Core Market (< 500 employees)	\$ 36.2	(5.2)%	\$ 38.2	4.4 %	\$ 36.6
Large Case Market	22.1	(24.6)	29.3	(1.0)	29.6
Subtotal	58.3	(13.6)	67.5	2.0	66.2
Supplemental	18.9	(3.1)	19.5	12.1	17.4
Unum Poland*	13.3	2.3	13.0	N.M.	3.4
<b>Total Sales</b>	<b>\$ 90.5</b>	<b>(9.5)</b>	<b>\$ 100.0</b>	<b>14.9</b>	<b>\$ 87.0</b>

<b>Unum UK Sales by Product</b>					
Group Long-term Disability	£ 29.5	(12.5)%	£ 33.7	0.6 %	£ 33.5
Group Life	16.1	(15.3)	19.0	17.3	16.2
Supplemental	14.9	(1.3)	15.1	18.0	12.8
<b>Total Sales</b>	<b>£ 60.5</b>	<b>(10.8)</b>	<b>£ 67.8</b>	<b>8.5</b>	<b>£ 62.5</b>

<b>Unum UK Sales by Market Sector</b>					
Group Long-term Disability and Group Life					
Core Market (< 500 employees)	£ 28.3	(5.4)%	£ 29.9	8.3 %	£ 27.6
Large Case Market	17.3	(24.1)	22.8	3.2	22.1
Subtotal	45.6	(13.5)	52.7	6.0	49.7
Supplemental	14.9	(1.3)	15.1	18.0	12.8
<b>Total Sales</b>	<b>£ 60.5</b>	<b>(10.8)</b>	<b>£ 67.8</b>	<b>8.5</b>	<b>£ 62.5</b>

\* Results reflect activity subsequent to the October 1, 2018 acquisition of Unum Poland. See "2018 Acquisitions of Business" contained in "Executive Summary" herein in this Item 7 for further discussion.

N.M. = not a meaningful percentage

The following discussion of sales results relates only to our Unum UK product lines and is based on functional currency.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Group long-term disability sales were lower in 2020 compared to 2019, with lower sales to new and existing customers in both the core market, which we define as employee groups with fewer than 500 employees, and the large case market.

Group life sales declined in 2020 compared to 2019 due to a decrease in sales to new customers in both our core and large case markets and lower sales to existing customers in the large case market, partially offset by higher sales to existing customers in our core market.

Supplemental sales were lower in 2020 compared to 2019 due primarily to a decline in dental product sales, partially offset by an increase in the group critical illness product line.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Group long-term disability sales were generally consistent with 2018, with higher sales to new customers in our core market, mostly offset by a decline in sales to both new and existing customers in our large case market.

Group life sales were higher in 2019 compared to 2018 due to an increase in sales to new and existing customers in both our core and large case markets.

Supplemental sales were higher in 2019 compared to 2018 due primarily to higher sales in the group critical illness product line.

***Segment Outlook***

We are committed to driving growth in the Unum International segment and will build on the capabilities that we believe will generate growth and profitability in our businesses over the long term. Within our Unum UK line of business, expanding our group long-term disability market position remains a priority. In addition, we will continue to focus on increasing participation levels while also developing new distribution and services to reach new small case clients, such as utilizing our Help@hand application. We will also continue the implementation of price increases and will maintain our disciplined sales approach. Within our Unum Poland line of business, we will leverage our U.S. and U.K. expertise to grow existing distribution channels and expand our current product offerings. We continue to invest in digital capabilities, technology, and product enhancements which we believe will drive sustainable growth over the long term.

Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption to our financial results in 2021. Sales activity could be lower and we could also continue to experience claims volatility in our group life and disability product lines. Uncertainty in the U.K. economy may continue to pressure our growth expectations in the near-term and may also lead to lower claim discount rates. However, we believe we are well positioned to capitalize on future growth opportunities as the operating environment improves. As part of our continued pricing discipline and our reserving strategy, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate. We will likely continue to experience volatility in net investment income and our benefit ratio due to fluctuations in the level of inflation in the U.K.; however, we do not expect this to have a significant impact on adjusted operating income. We continuously monitor key indicators to assess our risks and adjust our business plans accordingly to respond to external challenges.



## Colonial Life Segment

The Colonial Life segment includes insurance for accident, sickness, and disability products, which includes our dental and vision products, life products, and cancer and critical illness products issued primarily by Colonial Life & Accident Insurance Company and marketed to employees, on both a group and an individual basis, at the workplace through an independent contractor agency sales force and brokers.

### Operating Results

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

(in millions of dollars, except ratios)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Accident, Sickness, and Disability	\$ 975.1	0.2 %	\$ 973.4	4.7 %	\$ 929.3
Life	376.4	7.1	351.6	7.1	328.4
Cancer and Critical Illness	360.5	0.1	360.0	4.0	346.1
Total Premium Income	1,712.0	1.6	1,685.0	5.1	1,603.8
Net Investment Income	155.7	5.2	148.0	(2.1)	151.2
Other Income	1.1	(67.6)	3.4	183.3	1.2
<b>Total</b>	<b>1,868.8</b>	<b>1.8</b>	<b>1,836.4</b>	<b>4.6</b>	<b>1,756.2</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	906.5	4.8	865.0	4.9	824.9
Commissions	334.3	(8.3)	364.5	—	364.6
Deferral of Acquisition Costs	(272.6)	(12.4)	(311.3)	(1.5)	(315.9)
Amortization of Deferred Acquisition Costs	257.7	(0.4)	258.8	6.9	242.2
Other Expenses	307.5	(2.3)	314.9	3.2	305.2
<b>Total</b>	<b>1,533.4</b>	<b>2.8</b>	<b>1,491.9</b>	<b>5.0</b>	<b>1,421.0</b>
<b>Adjusted Operating Income</b>	<b>\$ 335.4</b>	<b>(2.6)</b>	<b>\$ 344.5</b>	<b>2.8</b>	<b>\$ 335.2</b>
Operating Ratios (% of Premium Income):					
Benefit Ratio	52.9 %		51.3 %		51.4 %
Other Expense Ratio	18.0 %		18.7 %		19.0 %
Adjusted Operating Income Ratio	19.6 %		20.4 %		20.9 %
Persistency:					
Accident, Sickness, and Disability	74.3 %		73.2 %		74.2 %
Life	83.7 %		83.4 %		83.6 %
Cancer and Critical Illness	81.8 %		80.6 %		82.4 %

### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income increased compared to 2019 due to growth in the in-force block resulting from prior period sales growth and stable persistency. Net investment income was higher in 2020 compared to 2019 due to higher miscellaneous investment income and an increase in the level of invested assets, partially offset by a decline in the yield on invested assets.

Benefits experience was unfavorable relative to 2019, with unfavorable experience in the life product line, resulting from the impacts of COVID-19, partially offset by favorable experience in the cancer and critical illness and accident, sickness, and disability product lines.

Commissions and the deferral of acquisition costs declined relative to 2019 due to lower sales. The amortization of deferred acquisition costs was consistent with 2019. The other expense ratio improved relative to 2019 due to a decline in sales-related expenses and our continued focus on expense management and operating efficiencies.

We had goodwill of \$27.7 million at December 31, 2020, none of which is currently believed to be at risk for future impairment.

### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income increased compared to 2018 as a result of growth in the in-force block resulting from prior period sales growth, which includes the expansion of our dental and vision products, offset partially by lower persistency. Net investment income decreased relative to 2018 due to a lower yield on invested assets and lower miscellaneous investment income, partially offset by an increase in the level of invested assets.

Benefits experience was generally consistent with 2018, with favorable experience in the life line of business mostly offset by unfavorable experience in the accident, sickness, and disability and cancer and critical illness product lines.

Commissions and the deferral of acquisition costs were generally consistent with 2018 due to stable sales results relative to the prior year. The amortization of deferred acquisition costs increased compared to 2018 due primarily to overall growth in the level of the deferred asset and the impact of the prospective unlocking for future experience relative to assumptions for our interest-sensitive voluntary life products. The other expense ratio improved relative to 2018 due to an increase in premium income and our continued focus on expense management and operating efficiencies.

## Sales

(in millions of dollars)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Sales by Product</b>					
Accident, Sickness, and Disability	\$ 261.5	(26.2)%	\$ 354.4	(0.2)%	\$ 355.0
Life	88.8	(27.6)	122.7	9.7	111.9
Cancer and Critical Illness	62.8	(29.4)	88.9	(5.8)	94.4
<b>Total Sales</b>	<b>\$ 413.1</b>	<b>(27.0)</b>	<b>\$ 566.0</b>	<b>0.8</b>	<b>\$ 561.3</b>
<b>Sales by Market Sector</b>					
Commercial					
Core Market (< 1,000 employees)	\$ 266.2	(23.0)%	\$ 345.7	(0.9)%	\$ 349.0
Large Case Market	57.4	(29.5)	81.4	(14.8)	95.5
Subtotal	323.6	(24.2)	427.1	(3.9)	444.5
Public Sector	89.5	(35.6)	138.9	18.9	116.8
<b>Total Sales</b>	<b>\$ 413.1</b>	<b>(27.0)</b>	<b>\$ 566.0</b>	<b>0.8</b>	<b>\$ 561.3</b>

### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

The impact of COVID-19 has caused higher unemployment levels and general uncertainty around the financial condition of our customers as well as disruption in our sales processes. As a result, sales for each of our product lines and market sectors have declined during 2020 compared to 2019. The number of new accounts and average new case size decreased 27.9 percent and 1.9 percent, respectively, in 2020 compared to 2019.

### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Commercial market sales decreased primarily due to lower new customer account sales in both the core market, which we define as accounts with fewer than 1,000 employees, and the large case market, partially offset by higher existing customer account sales in the core market and the continued expansion of our dental and vision products. The increase in our public sector market for 2019 was driven by an increase in both new and existing customer account sales. The number of new accounts and average new case size decreased 4.5 percent and 4.7 percent, respectively, in 2019 compared to 2018.

## **Segment Outlook**

We remain committed to providing employees and their families with simple, modern, and personal benefit solutions. During 2021, we will continue to utilize our strong distribution system of agency sales personnel, benefit counselors and broker partnerships. We will also continue to invest in new solutions and digital capabilities to expand our reach and effectiveness, driving growth and improving productivity while enhancing the customer experience. In 2021, we will also bring an enhanced engagement and enrollment platform to market enabling deeper connections with employees through the enrollment process as well as maintaining stronger relationships throughout the customer lifecycle. We believe our distribution system, customer service capabilities, digital and virtual tools, and ability to serve all market sizes position us well for future growth in the long-term.

Given the uncertainty caused by the COVID-19 pandemic, we expect to experience further disruption in our sales activity, persistency, and ultimately, premium income in 2021. We could also continue to experience claims volatility, particularly in our life and disability products. The lower interest rate environment will continue to have an unfavorable impact on our profit margins, and volatility in miscellaneous investment income is likely to continue. While we believe our underlying profitability will remain strong, current economic conditions and increasing competition in the voluntary workplace market are seen as external risks to achievement of our business plans. We continuously monitor key indicators to assess our risks and adjust our business plans accordingly.

## **Closed Block Segment**

The Closed Block segment consists of group and individual long-term care, individual disability, and other insurance products no longer actively marketed. We discontinued offering individual long-term care in 2009 and group long-term care in 2012. Individual disability in this segment generally consists of policies we sold prior to the mid-1990s and entirely discontinued selling in 2004. In December 2020, we ceded a significant portion of this individual disability business to a third party reinsurer. See "Executive Summary" herein Item 7 for further discussion. 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)

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Premium Income					
Long-term Care	\$ 666.9	2.3 %	\$ 651.6	0.5 %	\$ 648.3
Individual Disability	319.6	(14.6)	374.3	(11.1)	420.8
All Other	7.9	3.9	7.6	(5.0)	8.0
Total Premium Income	994.4	(3.8)	1,033.5	(4.0)	1,077.1
Net Investment Income	1,370.3	(2.5)	1,404.9	2.0	1,377.1
Other Income	66.6	(6.6)	71.3	(5.4)	75.4
<b>Total</b>	<b>2,431.3</b>	<b>(3.1)</b>	<b>2,509.7</b>	<b>(0.8)</b>	<b>2,529.6</b>
<b>Benefits and Expenses</b>					
Benefits and Change in Reserves for Future Benefits	3,426.8	60.2	2,139.3	(26.7)	2,919.2
Commissions	78.4	(3.2)	81.0	(3.7)	84.1
Interest and Debt Expense	3.1	(41.5)	5.3	(23.2)	6.9
Other Expenses	158.7	8.4	146.4	1.2	144.7
<b>Total</b>	<b>3,667.0</b>	<b>54.6</b>	<b>2,372.0</b>	<b>(24.8)</b>	<b>3,154.9</b>
<b>Income (Loss) Before Income Tax and Net Realized Investment Gains and Losses</b>					
	(1,235.7)	N.M.	137.7	N.M.	(625.3)
Long-term Care Reserve Increase	151.5	N.M.	—	N.M.	750.8
Group Pension Reserve Increase	17.5	N.M.	—	—	—
Impacts from Closed Block Individual Disability Reinsurance Transaction	1,305.5	N.M.	—	—	—
Amortization of the Cost of Reinsurance	2.6	N.M.	—	—	—
<b>Adjusted Operating Income</b>	<b>\$ 241.4</b>	<b>75.3</b>	<b>\$ 137.7</b>	<b>9.7</b>	<b>\$ 125.5</b>
<b>Interest Adjusted Loss Ratios:</b>					
Long-term Care	91.9 %		88.1 %		206.8 %
Long-term Care Excluding Reserve Increase	68.9 %				91.0 %
Individual Disability	N.M.		78.8 %		80.4 %
Individual Disability Excluding Impacts from Reinsurance Transaction	85.1 %				
<b>Operating Ratios (% of Premium Income):</b>					
Other Expense Ratio	16.0 %		14.2 %		13.4 %
Other Expense Ratio Excluding Impacts from Reinsurance Transaction	13.6 %				
Income (Loss) Ratio	(124.3)%				(58.1)%
Adjusted Operating Income Ratio	24.3 %		13.3 %		11.7 %
<b>Persistence:</b>					
Long-term Care	94.8 %		95.7 %		95.8 %
Individual Disability	88.0 %		88.1 %		88.3 %

N.M. = not a meaningful percentage

### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Premium income for long-term care was higher compared to 2019, with rate increases more than offsetting policy terminations. We continue to file requests with various state insurance departments for premium rate increases on certain of our individual and group long-term care policies which reflect assumptions as of the date of filings. In states for which a rate increase is submitted and approved, we routinely provide customers options for coverage changes or other approaches that might fit their current financial and insurance needs. Premium income for individual disability was lower compared to 2019 due to policy terminations and maturities as well as a one-time reinsurance cost related to a small block of policies during the first quarter of 2020.

Net investment income was lower relative to 2019 primarily due to a lower yield on invested assets, a decrease in the level of invested assets supporting individual disability resulting from the reinsurance transaction that closed in December 2020, and fluctuations in the net asset values (NAV) on our private equity partnerships that reflect the impact of COVID-19 on economic conditions throughout the year. These impacts are partially offset by an increase in the level of invested assets supporting long-term care. Other income, which includes the underlying results and associated net investment income of certain assumed blocks of individual disability business, continues to decline due to expected terminations and maturities.

The interest adjusted loss ratio for long-term care, excluding the previously discussed reserve increase, was favorable to our expectations driven primarily by higher claimant mortality and lower submitted claims. The interest adjusted loss ratio for individual disability, excluding the impacts from the reinsurance transaction that closed in December 2020, was unfavorable relative to 2019 driven by overall unfavorable claims activity and the impact of the one-time reinsurance cost during the first quarter of 2020.

Also impacting benefits experience for the Closed Block segment was the previously discussed group pension reserve increase within our "All Other" product line. Excluding this group pension reserve increase, benefits experience for the "All Other" product line was consistent with our expectations.

Interest and debt expense was lower than 2019 due to the principal repayments on the outstanding debt issued by Northwind Holdings, LLC (Northwind Holdings). In December 2020, Northwind Holdings redeemed the remaining \$35.0 million of principal on the Northwind notes, and was released of any contractual collateral requirements.

The other expense ratio, excluding certain costs incurred and the amortization of cost of reinsurance related to the previously discussed reinsurance transaction in the fourth quarter of 2020, was lower than 2019 due to our continued focus on expense management and operating efficiencies, partially offset by a decline in premium income for individual disability.

### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Premium income for long-term care was generally consistent with 2018, with rate increases offsetting policy terminations. Premium income for individual disability decreased compared to 2018 due to policy terminations and maturities.

Net investment income was higher relative to 2018 primarily due to an increase in the level of invested assets, partially offset by lower miscellaneous investment income. Other income continues to decline due to expected terminations and maturities.

The interest adjusted loss ratio for long-term care in 2019 was not comparable to 2018, excluding the previously discussed reserve increase, due to the update in our assumptions during the third quarter of 2018, but was generally consistent with our expectations during 2019. Individual disability benefits experience was favorable relative to 2018 driven by overall favorable claims activity.

The other expense ratio was higher than 2018 due to the expected decline in premium income for individual disability, partially offset by our continued focus on expense management and operating efficiencies.

## ***Segment Outlook***

We will continue to execute on our well-defined strategy of implementing long-term care premium rate increases, efficient capital management, improved financial analysis, and operational effectiveness. We will continue to explore structural options to enhance financial flexibility. Despite continued anticipated premium rate increases in our long-term care business, we expect overall premium income and adjusted operating revenue to decline over time as these closed blocks of business wind down. We will likely experience volatility in net investment income due to fluctuations of miscellaneous investment income and the increased allocation towards alternative assets, primarily private equity partnership investments, in the long-term care product line portfolio. We record changes in our share of the NAV of the partnerships in net investment income. We receive financial information related to our investments in partnerships and generally record investment income on a one-quarter lag in accordance with our accounting policy. As these net asset values are volatile and can fluctuate materially with changes in market economic conditions, there may possibly be significant movements up or down in future periods as conditions change. We continuously monitor key indicators to assess our risks and adjust our business plans accordingly.

Profitability of our long-tailed products is affected by claims experience related to mortality and morbidity, resolutions, investment returns, premium rate increases, and persistency. We believe that the interest adjusted loss ratio for long-term care will be relatively flat over the long term, but may continue to experience quarterly volatility, particularly in the near term as our claim block matures and as we continue the implementation of premium rate increases. Specific to our long-term care line of business, which is in loss recognition and should report levels of benefits plus operating expenses that equal the gross premium reported, we expect the long term interest adjusted loss ratio to be in the 85 to 90 percent range with some quarterly volatility. Claim resolution rates, which measure the resolution of claims from recovery, deaths, settlements, and benefit expirations, are very sensitive to operational and external factors and can be volatile. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period. It is possible that variability in any of our reserve assumptions, including, but not limited to, interest rates, mortality, morbidity, resolutions, premium rate increases, benefit change elections, and persistency, could result in a material impact on the adequacy of our reserves, including adjustments to reserves established under loss recognition.

As a result of the execution of the first phase of the reinsurance agreement related to our individual disability line of business in December 2020 where we have fully ceded a significant portion of this business, we expect that the primary impact on earnings will be the amortization of the cost of reinsurance for that agreement which we expect to be in the range of \$75 million to \$85 million for 2021 and will continue to be amortized on a declining trajectory consistent with the expected run-off pattern of the ceded reserves, which we estimate to be approximately 25 years. We expect that the second phase of this transaction will be executed in the first quarter of 2021. Due to the relatively small amount of business that will be retained following completion of the second phase of this transaction, we expect that the interest adjusted loss ratio will be more volatile from period to period, however, should remain within our historical experience over the long-term and we expect minimal earnings related to the retained business.

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

## Corporate Segment

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

### *Operating Results*

*(in millions of dollars)*

	Year Ended December 31				
	2020	% Change	2019	% Change	2018
<b>Adjusted Operating Revenue</b>					
Net Investment Income	\$ 9.8	(52.2)%	\$ 20.5	(30.5)%	\$ 29.5
Other Income	1.1	(64.5)	3.1	14.8	2.7
<b>Total</b>	<u>10.9</u>	<u>(53.8)</u>	<u>23.6</u>	<u>(26.7)</u>	<u>32.2</u>
Interest, Debt, and Other Expenses	247.7	3.4	239.5	17.8	203.3
<b>Loss Before Income Tax and Net Realized Investment Gains and Losses</b>	(236.8)	(9.7)	(215.9)	(26.2)	(171.1)
Costs Related to Organizational Design Update	23.3	N.M.	—	—	—
Impairment Loss on ROU Asset	12.7	N.M.	—	—	—
Cost Related to Early Retirement of Debt	—	N.M.	27.3	N.M.	—
<b>Adjusted Operating Loss</b>	<u>\$ (200.8)</u>	<u>(6.5)</u>	<u>\$ (188.6)</u>	<u>(10.2)</u>	<u>\$ (171.1)</u>

*N.M. = not a meaningful percentage*

#### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Net investment income was lower in 2020 compared to 2019 primarily driven by a decline in the yield on invested assets.

Interest, debt, and other expenses were higher in 2020 relative to 2019. Interest, debt, and other expenses includes the costs related to an organizational design update and the impairment loss on ROU asset during 2020, and the early retirement of debt during 2019. Excluding these items, interest, debt, and other expenses in 2020 were generally consistent with 2019 with higher interest expense resulting from a higher level of outstanding debt, mostly offset by lower pension costs in 2020. See "Executive Summary" contained herein in Item 7 for further discussion.

#### Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Net investment income was lower in 2019 due primarily to both a lower yield and a lower level of invested assets.

Interest, debt, and other expenses were higher in 2019 relative to 2018, driven primarily by costs related to the early retirement of debt, higher pension costs, and a higher level of outstanding debt, partially offset by acquisition and restructuring costs in 2018 that did not recur. See "Liquidity and Capital Resources - Debt" contained herein in Item 7 for further discussion.

### *Segment Outlook*

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



## **Investments**

### *Overview*

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

We have a formal investment policy that includes overall quality and diversification objectives and establishes limits by asset class, investment rating, and single issuer. The majority of our investments are in investment-grade publicly traded securities. This ensures the desired liquidity and preserves the capital value of our portfolios, although due to the long-term nature of our insurance liabilities we are also able to invest in less liquid investments to obtain superior returns within the limits of our investment policy. Our asset mix guidelines and limits are established by us, reviewed by the risk and finance committee of Unum Group's board of directors, and approved by the boards of directors of our insurance subsidiaries. We review our policies and guidelines annually, or more frequently if deemed necessary, and recommend adjustments as appropriate.

See "Critical Accounting Estimates" contained herein in this Item 7 for further discussion of our valuation of investments.

### *Closed Block Individual Disability Reinsurance Agreement*

As part of the Closed Block individual disability reinsurance agreement entered into in December 2020 with Commonwealth, we transferred fixed maturity securities of \$4,686.8 million on an amortized cost basis and \$5,958.4 million on a fair value basis and we recorded a total realized investment gain from the transfer of these securities, including a related net gain from cash flow hedges of \$1,302.3 million. Although we transferred a significant portion of our fixed maturity security portfolio as part of this agreement, the overall credit profile of our remaining portfolio has not changed. See "Executive Summary" for further information on the reinsurance transaction contained herein in this Item 7.

### *COVID-19*

The current economic conditions have increased volatility in the capital markets and have caused significant pressure on the profitability of many companies. The sharp decline in oil prices experienced earlier in the year and lack of demand due to COVID-19, which began to occur in the first quarter of 2020, also caused pressure on the profitability of companies in the energy sector. We recorded credit losses during the first quarter of 2020 primarily related to fixed maturity securities issued by companies in the energy sector, but recorded minimal credit losses related to energy securities in the second, third, and fourth quarters of 2020 primarily as a result of the improvement in oil prices. Our fixed income exposure to consumer cyclicals, which have been stressed due to COVID-19 related shutdowns, is 3.6 percent of our fixed maturity security portfolio. Our exposure to other stressed industries such as airlines is minimal at 0.2 percent of our fixed maturity security portfolio. During the year ended December 31, 2020, we had \$759.4 million of downgrades of investment-grade securities to below investment grade. These downgrades and the reduction in invested assets due to the reinsurance agreement with Commonwealth contributed to the increase in our holdings of below-investment-grade securities as a percentage of our total investments from 5.8 percent at December 31, 2019 to 6.7 percent at December 31, 2020 on a fair value basis.

We continue to monitor capital market activity on a regular basis and to the extent that there is continued volatility and ratings downgrades related to the issuers of our fixed maturity securities, we could experience further credit losses, an increase in defaults, and the need for additional capital in our insurance subsidiaries. However, we remain confident in the overall strength and credit quality of our investment portfolio. Net investment income may decline as a result of the current economic conditions, as the sustained low interest rate environment will continue to impact the yield on our invested assets, particularly related to the investment of new cash flows. For further discussion, see "Fixed Maturity Securities" contained herein in this Item 7.

Improvements in the net asset values (NAV) of our partnership investments in the fourth quarter of 2020, which reflect the market conditions of the third quarter of 2020, resulted in net investment income of \$29.4 million. During the fourth quarter of 2020, U.S. equity and credit markets continued to improve from the severe decline experienced during the first quarter of 2020 due to COVID-19, and although our partnership investments are not directly correlated with those markets, their results were positively impacted and have driven higher asset fair values. In addition to our partnership investment activity, the current economic conditions and sustained low interest rate environment have and will continue to impact the yield on our invested assets, particularly related to the investment of new cash flows. We have also worked with certain of our commercial mortgage

loan borrowers that have requested temporary payment deferrals, but this has not resulted in a significant number of loans with deferrals or a significant impact on our net investment income. For further discussion, see "Mortgage Loans" and "Private Equity Partnerships" contained herein in this Item 7. See "Executive Summary" for further information on the impact from COVID-19 contained herein in this Item 7.

### ***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 December 31, 2020**

*(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	\$ 3,228.2	\$ 467.6	\$ 69.3	\$ 5.9	\$ 3,158.9	\$ 473.5
Capital Goods	3,941.4	667.5	27.4	0.9	3,914.0	668.4
Communications	2,806.1	575.0	70.9	7.2	2,735.2	582.2
Consumer Cyclical	1,585.3	247.0	51.8	1.4	1,533.5	248.4
Consumer Non-Cyclical	7,110.7	1,345.8	107.5	5.1	7,003.2	1,350.9
Energy	3,738.5	591.1	178.4	13.6	3,560.1	604.7
Financial Institutions	3,645.8	531.4	74.1	2.5	3,571.7	533.9
Mortgage/Asset-Backed	1,107.7	87.8	6.1	0.2	1,101.6	88.0
Sovereigns	1,168.2	265.3	20.3	1.2	1,147.9	266.5
Technology	1,806.8	218.9	11.1	7.1	1,795.7	226.0
Transportation	2,065.3	322.2	52.9	3.3	2,012.4	325.5
U.S. Government Agencies and Municipalities	4,971.0	802.1	133.5	1.5	4,837.5	803.6
Public Utilities	6,962.3	1,475.9	101.7	6.0	6,860.6	1,481.9
<b>Total</b>	<b>\$ 44,137.3</b>	<b>\$ 7,597.6</b>	<b>\$ 905.0</b>	<b>\$ 55.9</b>	<b>\$ 43,232.3</b>	<b>\$ 7,653.5</b>

The following two tables show the length of time our investment-grade and below-investment-grade fixed maturity securities have been in a gross unrealized loss position as of December 31, 2020 and at the end of the prior four quarters. The relationships of the current fair value to amortized cost are not necessarily indicative of the fair value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of the relationships after December 31, 2020. The decrease in the unrealized loss on fixed maturity securities during 2020 was due primarily to a decrease in U.S. Treasury rates.

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

(in millions of dollars)

	2020				2019
	December 31	September 30	June 30	March 31	December 31
<i>Fair Value &lt; 100% &gt;= 70% of Amortized Cost</i>					
<= 90 days	\$ 3.8	\$ 10.1	\$ 18.0	\$ 499.4	\$ 13.8
> 90 <= 180 days	3.9	4.7	45.7	0.1	2.0
> 180 <= 270 days	1.5	14.9	1.9	—	—
> 270 days <= 1 year	6.4	0.7	0.1	0.3	—
> 1 year <= 2 years	0.1	2.3	2.4	1.8	3.8
> 2 years <= 3 years	2.3	—	—	3.2	2.8
> 3 years	—	—	—	—	0.8
Sub-total	<u>18.0</u>	<u>32.7</u>	<u>68.1</u>	<u>504.8</u>	<u>23.2</u>
<i>Fair Value &lt; 70% &gt;= 40% of Amortized Cost</i>					
<= 90 days	—	—	—	145.2	—
> 90 <= 180 days	—	—	—	—	0.3
> 180 <= 270 days	—	—	—	0.2	—
Sub-total	<u>—</u>	<u>—</u>	<u>—</u>	<u>145.4</u>	<u>0.3</u>
<b>Total</b>	<u>\$ 18.0</u>	<u>\$ 32.7</u>	<u>\$ 68.1</u>	<u>\$ 650.2</u>	<u>\$ 23.5</u>

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

(in millions of dollars)

	2020				2019
	December 31	September 30	June 30	March 31	December 31
<i>Fair Value &lt; 100% &gt;= 70% of Amortized Cost</i>					
<= 90 days	\$ 4.0	\$ 13.8	\$ 16.1	\$ 167.0	\$ 0.5
> 90 <= 180 days	—	4.5	77.1	0.7	3.1
> 180 <= 270 days	1.6	40.0	0.4	0.8	5.1
> 270 days <= 1 year	7.8	0.2	5.5	4.4	0.9
> 1 year <= 2 years	1.9	6.4	8.1	0.8	17.5
> 2 years <= 3 years	5.0	4.1	11.7	12.1	1.3
> 3 years	7.4	8.1	7.9	11.5	13.7
Sub-total	<u>27.7</u>	<u>77.1</u>	<u>126.8</u>	<u>197.3</u>	<u>42.1</u>
<i>Fair Value &lt; 70% &gt;= 40% of Amortized Cost</i>					
<= 90 days	—	—	—	114.6	—
> 90 <= 180 days	—	—	5.2	2.7	—
> 180 <= 270 days	—	1.0	3.8	12.8	15.1
> 270 days <= 1 year	—	3.8	—	12.5	—
> 1 year <= 2 years	10.2	9.8	13.6	5.7	—
> 2 years <= 3 years	—	8.1	—	1.2	—
> 3 years	—	13.8	13.9	10.6	10.5
Sub-total	<u>10.2</u>	<u>36.5</u>	<u>36.5</u>	<u>160.1</u>	<u>25.6</u>
<i>Fair Value &lt; 40% of Amortized Cost</i>					
<= 90 days	—	—	—	9.6	—
> 270 days <= 1 year	—	—	—	15.7	—
> 1 year <= 2 years	—	—	—	8.5	—
> 2 years <= 3 years	—	—	—	9.0	—
> 3 years	—	—	—	16.8	—
Sub-total	<u>—</u>	<u>—</u>	<u>—</u>	<u>59.6</u>	<u>—</u>
Total	<u>\$ 37.9</u>	<u>\$ 113.6</u>	<u>\$ 163.3</u>	<u>\$ 417.0</u>	<u>\$ 67.7</u>

At December 31, 2020, we held no fixed maturity securities with a gross unrealized loss greater than \$10.0 million.

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

- \$20.8 million on fixed maturity securities issued by an oil and gas producer. The profitability of the company has been impacted by the decline in oil prices. Given the current environment, near term debt maturities may be difficult to refinance. We changed our intent to hold this security in the second quarter of 2020 and recognized a \$1.4 million loss on the sale of the security in addition to the credit loss previously recorded.
- \$17.1 million on fixed maturity securities issued by an oil and gas producer. The profitability of the company has been impacted by the decline in oil prices and the company has a high level of debt. The company filed for bankruptcy as expected in early April 2020. We changed our intent to hold this security in the third quarter of 2020 and recognized a \$1.0 million loss on the sale of the security in addition to the credit loss previously recorded.
- \$10.2 million on fixed maturity securities issued by a paper company whose sales of lumber and other products have been impacted by the slowdown in the economy. As a result of an improvement in lumber and other products, during

the fourth quarter of 2020, we reversed the remainder of the allowance for credit losses that we had recognized in the previous quarters of 2020.

During the remainder of 2020, we did not experience any credit losses exceeding \$10 million.

We had one individual realized investment loss of \$20.8 million from impairments during 2019. We had no individual realized investment losses of \$10.0 million or greater from impairments during 2018. We had no individual realized investment losses of \$10.0 million or greater from sales of fixed maturity securities during 2020. We had one individual realized investment loss of \$15.6 million from the sale of fixed maturity securities during 2019, and we had no individual realized investment losses of \$10.0 million or greater from the sale of fixed maturity securities during 2018.

At December 31, 2020, our mortgage/asset-backed securities had an average life of 3.8 years, effective duration of 2.7 years, and a weighted average credit rating of AAA. The mortgage/asset-backed securities are valued on a monthly basis using valuations supplied by the brokerage firms that are dealers in these securities as well as independent pricing services. One of the risks involved in investing in mortgage/asset-backed securities is the uncertainty of the timing of cash flows from the underlying loans due to prepayment of principal with the possibility of reinvesting the funds in a lower interest rate environment. We use models which incorporate economic variables and possible future interest rate scenarios to predict future prepayment rates. The timing of prepayment cash flows may also cause volatility in our recognition of investment income. We recognize investment income on these securities using a constant effective yield based on projected prepayments of the underlying loans and the estimated economic life of the securities. Actual prepayment experience is reviewed periodically, and effective yields are recalculated when differences arise between prepayments originally projected and the actual prepayments received and currently projected. The effective yield is recalculated on a retrospective basis, and the adjustment is reflected in net investment income.

As of December 31, 2020, the amortized cost net of allowance for credit losses and fair value of our below-investment-grade fixed maturity securities was \$3,256.0 million and \$3,500.1 million, respectively. Below-investment-grade securities are inherently riskier than investment-grade securities since the risk of default by the issuer, by definition and as exhibited by bond rating, is higher. Also, the secondary market for certain below-investment-grade issues can be highly illiquid. Additional downgrades may occur, but we do not anticipate any liquidity problems resulting from our investments in below-investment-grade securities, nor do we expect these investments to adversely affect our ability to hold our other investments to maturity.

#### ***Fixed Maturity Securities - Energy Sector***

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

At December 31, 2020, approximately 51 percent of our exposure to the energy sector was represented by the midstream (pipeline) subsector which tends to be more correlated to product volume sales than to commodity prices. Approximately 24 percent of our exposure is in the oil and gas independent exploration and production subsector where underlying profitability is highly correlated with oil and gas prices. Approximately 16 percent of our exposure is in the integrated subsector which is comprised of large highly rated companies. The majority of our energy sector holdings are investment-grade fixed maturity securities.

At December 31, 2020, the fair value of investment-grade fixed maturity securities in the energy sector was \$3,112.2 million, with a gross unrealized gain of \$571.3 million and a gross unrealized loss of \$0.1 million. The fair value of below-investment-grade fixed maturity securities in the energy sector was \$626.3 million, with a gross unrealized gain of \$33.4 million and a gross unrealized loss of \$13.5 million. The following table shows additional information related to our holdings in the energy sector.

**Fixed Maturity Securities - Energy Sector  
As of December 31, 2020**

*(in millions of dollars)*

Classification by Subsector	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
Midstream	\$ 1,901.0	\$ 263.3	\$ 63.4	\$ 5.0	\$ 1,837.6	\$ 268.3
Oil and Gas-Independent	879.1	152.6	81.4	5.7	797.7	158.3
Oil Field	86.1	10.9	10.8	1.7	75.3	12.6
Oil-Integrated	591.0	124.6	22.8	1.2	568.2	125.8
Oil-Refining	245.4	38.8	—	—	245.4	38.8
Other Energy	35.9	0.9	—	—	35.9	0.9
Total	<u>\$ 3,738.5</u>	<u>\$ 591.1</u>	<u>\$ 178.4</u>	<u>\$ 13.6</u>	<u>\$ 3,560.1</u>	<u>\$ 604.7</u>

***Fixed Maturity Securities - Foreign Exposure***

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

***Mortgage Loans***

The carrying value of our mortgage loan portfolio was \$2,432.1 million and \$2,397.0 million at December 31, 2020 and 2019, respectively. Our investments in mortgage loans are carried at amortized cost less an allowance for credit losses. Our mortgage loan portfolio is comprised entirely of commercial mortgage loans. Our mortgage loan portfolio is well diversified geographically and among property types. Due to conservative underwriting, the incidence of problem mortgage loans and foreclosure activity continues to be low. We held no impaired mortgage loans at December 31, 2020 or December 31, 2019. Effective January 1, 2020, we adopted a new accounting standard requiring the estimation of an allowance for expected credit losses which was \$13.1 million at December 31, 2020. See Notes 1 and 3 in the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our mortgage loan portfolio and the allowance for expected credit losses.

***Private Equity Partnerships***

The carrying value of our investments in private equity partnerships was \$747.5 million and \$616.7 million at December 31, 2020 and December 31, 2019, respectively. These partnerships are passive in nature and represent funds that are primarily invested in private credit, private equity, and real assets. The carrying value of the partnerships is based on our share of the partnership's NAV and changes in the carrying value are recorded as a component of net investment income. We receive financial information related to our investments in partnerships and generally record investment income on a one-quarter lag in accordance with our accounting policy. We recorded net investment income totaling \$19.8 million for the year ended December 31, 2020 for the partnerships, which included net investment income of \$29.4 million in the fourth quarter of 2020

reflecting the improved market conditions of the third quarter of 2020. The majority of our investments in partnerships are not redeemable. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. There is generally not a public market for these investments. We had \$590.7 million of commitments for additional investments in the partnerships at December 31, 2020 which may or may not be funded. See Note 2 in the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our private equity partnerships.

### ***Derivative Financial Instruments***

We use derivative financial instruments primarily to manage reinvestment, duration, foreign currency, and credit risks. Historically, we have utilized current and forward interest rate swaps and options on forward interest rate swaps and U.S. Treasury rates, current and forward currency swaps, forward treasury locks, currency forward contracts, forward contracts on specific fixed income securities, and credit default swaps. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. At December 31, 2020, we had no credit exposure on derivatives. We held \$8.7 million of cash collateral from our counterparties at December 31, 2020. The carrying value of fixed maturity securities posted as collateral to our counterparties was \$54.0 million at December 31, 2020. We had no cash collateral posted to our counterparties at December 31, 2020. We believe that our credit risk is mitigated by our use of multiple counterparties, all of which have an investment-grade credit rating, and by our use of cross-collateralization agreements.

### ***Other***

In 2020, we recognized impairment losses totaling \$36.6 million on real estate held for investment.

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 \$16.6 million and \$30.5 million on a fair value basis at December 31, 2020 and 2019, respectively.

See Notes 3 and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our investments and our derivative financial instruments.

## **Liquidity and Capital Resources**

### ***Overview***

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

We have established an investment strategy that we believe will provide for adequate cash flows from operations. We attempt to match our asset cash flows and durations with expected liability cash flows and durations to meet the funding requirements of our business. However, deterioration in the credit market may delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner and adversely impact the price we receive for such securities, which may negatively impact our cash flows. Furthermore, if we experience defaults on securities held in the investment portfolios of our insurance subsidiaries, this will negatively impact statutory capital, which could reduce our insurance subsidiaries' capacity to pay dividends to our holding companies. A reduction in dividends to our holding companies could force us to seek external financing to avoid impairing our ability to pay dividends to our stockholders or meet our debt and other payment obligations.

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

The liquidity requirements of the holding company Unum Group include common stock dividends, interest and debt service, and ongoing investments in our businesses. Unum Group's liquidity requirements are met by assets held by Unum Group and our intermediate holding companies, dividends from primarily our insurance subsidiaries, and issuance of common stock, debt, or

other capital securities and borrowings from existing credit facilities, as needed. As of December 31, 2020, Unum Group and our intermediate holding companies had available holding company liquidity of \$1,512 million that was held primarily in bank deposits, commercial paper, money market funds, corporate bonds, and asset backed securities. No significant restrictions exist on our ability to use or access funds in any of our U.S. or foreign intermediate holding companies. Dividends repatriated from our foreign subsidiaries are eligible for 100 percent exemption from U.S. income tax but may be subject to withholding tax and/or tax on foreign currency gain or loss. See "Closed Block Individual Disability Reinsurance Agreement" and "Cash Available from Subsidiaries" below for further discussion regarding the Northwind assets.

As part of our capital deployment strategy, we repurchase shares of Unum Group's common stock, as authorized by our board of directors. In the second quarter of 2019, the board authorized the repurchase of up to \$750 million of common stock through November 2020, at which point the authorization expired. We did not repurchase any shares during 2020 and as of December 31, 2020, we had not authorized a new share repurchase program. See Note 10 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

#### *Liquidity and Capital Resource Considerations - COVID-19*

We have strengthened our liquidity position through actions such as maintaining a higher level of short-term investments and posting additional collateral from certain of our U.S. insurance subsidiaries to the regional FHLBs. As a result, we believe we have the appropriate liquidity and access to capital to avoid significant disruption to our operations. We have not yet experienced a significant impact to our liquidity as a result of the collection of premiums and submitted claims activity; however, we continually monitor the development of these items.

As of December 31, 2020, we have borrowed \$312.2 million of funds through our memberships with the regional FHLBs and similar to our previous advances, these funds are used for the purpose of investing in either short-term investments or fixed maturity securities. Although we did increase FHLB borrowings at December 31, 2020, we have additional borrowing capacity of approximately \$1,093 million that can be utilized for liquidity if the need arises. Additionally, we have access to two unsecured revolving credit facilities under separate syndicates of lenders that allow us to borrow up to a total of \$600 million. There are currently no outstanding borrowings on these facilities but we remain in compliance with required covenants should we choose to borrow in the future. During 2020, we also issued \$500.0 million of 4.500% senior notes due 2025 which strengthened our liquidity and demonstrated our ability to raise capital in a strained economic environment.

Following the maturity of our \$400.0 million aggregate principal amount of 5.625% unsecured notes in the third quarter of 2020, which was funded through an issuance of debt during the second quarter of 2019, we have no significant upcoming debt maturities until 2024. We continue to meet the financial covenants contained in our current debt agreements and credit facilities, and we expect that we will continue to meet those covenants in subsequent periods.

To the extent that we begin to experience a significant impact to our liquidity, we would likely sell highly liquid invested assets or borrow funds on our credit facilities to meet operational cash flow requirements.

See "Debt" and "Transfers of Financial Assets" for further discussion of our debt arrangements, credit facilities, and of our FHLB arrangements contained herein in this Item 7. For further discussion of the key considerations regarding the impacts of COVID-19 see "Executive Summary" herein in this Item 7.

#### *Closed Block Individual Disability Reinsurance Agreement*

In December 2020, Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company, and Unum Life Insurance Company of America (Unum America), wholly-owned domestic insurance subsidiaries of Unum Group and collectively referred to as "the ceding companies", entered into a series of agreements (collectively referred to as the "reinsurance agreement") with Commonwealth to reinsure effective as of July 1, 2020, approximately 75 percent of the Closed Block individual disability insurance business, primarily direct business written by the ceding companies. Commonwealth has established and will maintain collateralized trust accounts for the benefit of the ceding companies to secure its obligations under the reinsurance agreement. As part of the agreement, additional Closed Block individual disability business consisting of direct business not ceded in December 2020 and business assumed by the ceding companies from third parties, is expected to be reinsured in the first quarter of 2021, subject to receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions and is considered the second phase of this transaction.

Also in December 2020, prior to entering into this agreement with Commonwealth, the ceding companies recaptured their respective reinsurance agreements with Northwind Reinsurance Company (Northwind Re) where substantially all of the ceding



companies' closed block individual disability business had previously been fully ceded to Northwind Re, an affiliated captive reinsurance subsidiary domiciled in the United States, with Unum Group as the ultimate parent.

In connection with the first phase of the reinsurance agreement that closed in December 2020, the ceding companies paid a total cash ceding commission to Commonwealth of approximately \$438 million and transferred additional assets consisting primarily of fixed maturity securities and cash totaling \$6,669.8 million. In the fourth quarter of 2020, we released approximately \$400 million of capital as a result of the reinsurance agreement and we expect to release approximately \$250 million of additional capital in the first quarter of 2021 assuming the second phase of the transaction is fully executed, which is dependent on the receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions.

See "Reinsurance" contained herein in Item 1; "Segment Results," contained herein in Item 7, and Notes 12 and 16 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion on the impacts related to this reinsurance agreement.

### *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.

Unum America cedes blocks of business to Fairwind Insurance Company (Fairwind), which is an affiliated captive reinsurance subsidiary domiciled in the United States. The ability of Fairwind to pay dividends to Unum Group will depend on its satisfaction of applicable regulatory requirements and on the performance of the business reinsured by Fairwind. We do not anticipate that Fairwind will pay dividends in 2021. As previously discussed, due to the recapture of the reinsurance agreements with Northwind Re, as of December 31, 2020, no insurance risk remains in Northwind Re and therefore Fairwind remains the only active reinsurance captive.

The ability of Unum Group and certain of its intermediate holding company subsidiaries to continue to receive dividends from their insurance subsidiaries also depends on additional factors such as RBC ratios and capital adequacy and/or solvency requirements, funding growth objectives at an affiliate level, and maintaining appropriate capital adequacy ratios to support desired ratings. The RBC ratios for our U.S. insurance subsidiaries at December 31, 2020 are in line with our expectations and are significantly above the level that would require state regulatory action.

In connection with a financial examination of Unum Life Insurance Company of America, which closed at the end of the second quarter of 2020, the Maine Bureau of Insurance (MBOI) concluded that Unum America's long-term care statutory reserves are deficient by \$2.1 billion as of December 31, 2018, the financial statement date of the examination period. The MBOI granted permission to Unum America on May 1, 2020, to phase in the additional statutory reserves over seven years beginning with year-end 2020 and ending with year-end 2026. The 2020 phase-in amount was approximately \$229 million and was funded using cash flows from operations. This strengthening will be incorporated by using explicitly agreed upon margins into our existing assumptions for annual statutory reserve adequacy testing. These actions will add margin to Unum America's best estimate assumptions. Our long-term care reserves and financial results reported under generally accepted accounting principles are not affected by the MBOI's examination conclusion. We plan to fund the additional statutory reserves with expected cash flows.

Unum Group and/or certain of its intermediate holding company subsidiaries may also receive dividends from our U.K. subsidiaries, the payment of which may be subject to applicable insurance company regulations and capital guidance in the U.K. Unum Limited is subject to the requirements of Solvency II, an European Union (EU) directive, which prescribes capital requirements and risk management standards for the European insurance industry. Our European holding company is also subject to the Solvency II requirements relevant to insurance holding companies, while its subsidiaries (the Unum European Economic Area (EEA) Group), which includes Unum Limited, are subject to group supervision under Solvency II. The Unum EEA Group received approval from the U.K. Prudential Regulation Authority to use its own internal model for calculating

regulatory capital and also received approval for certain associated regulatory permissions including transitional relief as the Solvency II capital regime continues to be implemented. In connection with the recent exit from the EU, the U.K. government is reviewing the regulatory framework of financial services companies which may result in changes to U.K. regulatory capital or U.K. tax regulations. Recent economic conditions contributed to volatility in our solvency ratios used to monitor capital adequacy.

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

The amount available during 2020 for the payment of ordinary dividends from Unum Group's traditional U.S. insurance subsidiaries, which excludes our captive reinsurers, was approximately \$1,035 million, of which \$831.5 million was declared and paid. The amount available during 2020 from Unum Limited was approximately £180 million, of which £30.0 million was declared and paid to Unum Group through one of our U.K. holding companies. During 2020, Northwind Re paid dividends of \$58.4 million to Northwind Holdings. Fairwind paid no dividends during 2020.

During 2021, we intend to maintain a level of capital in our insurance subsidiaries above the applicable capital adequacy requirements and minimum solvency margins. As a result of our consideration of overall capitalization needs, we may not utilize the entire amount of dividends available in 2021, which are based on applicable restrictions under current law. Approximately \$974 million is available, without prior approval by regulatory authorities, during 2021 for the payment of dividends from Unum Group's traditional U.S. insurance subsidiaries, which excludes our captive reinsurers. Approximately £170 million is considered distributable from Unum Limited during 2021, subject to local solvency standards and regulatory approval.

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, which does not apply to our current entity structure.

### ***Funding for Employee Benefit Plans***

We made contributions of \$66.4 million and £3.7 million to our U.S. and U.K. defined contribution plans, respectively, in 2020 and expect to make contributions of approximately \$67 million and £3.8 million during 2021. We made a de minimis amount of contributions to our U.S. qualified defined benefit pension plan and no contribution to our U.K. defined benefit pension plan during 2020. We do not expect to make any contributions to either plan during 2021. 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. See Note 9 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our employee benefit plans.

### ***Debt***

There are no significant financial covenants associated with any of our outstanding debt obligations. We continually monitor our debt covenants to ensure we remain in compliance. We have not observed any current trends that would cause a breach of any debt covenants.

### **Maturities, Purchases, and Retirement of Debt**

Northwind Holdings made periodic principal payments on the Northwind notes of \$45.0 million in 2020 and \$60.0 million in both 2019 and 2018. In December 2020, Northwind Holdings redeemed the remaining \$35.0 million of principal on the Northwind notes, and was released of any contractual collateral requirements.

In September 2020, our \$400.0 million 5.625% senior unsecured notes matured.

During 2019 we purchased and retired (i) \$22.8 million aggregate liquidation amount of our 7.405% capital securities due 2038; (ii) \$30.3 million aggregate principal amount of our 7.190% medium-term notes due 2028; (iii) \$30.0 million aggregate principal amount of our 7.250% senior notes due 2028; and (iv) \$350.0 million aggregate principal amount of our 3.000% senior notes due 2021.

In 2018, our \$200.0 million 7.000% senior unsecured notes matured.

### Issuance of Debt

In May 2020, we issued \$500.0 million of 4.500% senior notes due 2025. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In September 2019, we issued \$450.0 million of 4.500% senior notes due 2049. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In June 2019, we issued \$400.0 million of 4.000% senior notes due 2029. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In 2018, we issued \$300.0 million of 6.25% junior subordinated notes due 2058. The notes are redeemable at or above par on or after June 15, 2023 and rank equally in the right of payment with our other junior subordinated debt securities.

### Credit Facilities

We have access to two separate unsecured revolving credit facilities, each with a different syndicate of lenders. One of our credit facilities is under a five-year agreement and is effective through April 2024. The terms of this agreement provide for a borrowing capacity of \$500.0 million with an option to be increased up to \$700.0 million. We may also request, on up to two occasions, that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, letters of credit totaling \$0.6 million had been issued from this credit facility, but there were no borrowed amounts outstanding.

Our other credit facility is under a three-year agreement and is effective until April 2022. The terms of this agreement provide for a borrowing capacity of \$100.0 million with an option to be increased up to \$140.0 million. We may also request that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, there have been no letters of credit issued from the credit facility and there were no borrowed amounts outstanding.

Borrowings under the credit facilities are for general corporate uses and are subject to financial covenants, negative covenants, and events of default that are customary. The two primary financial covenants include limitations based on our leverage ratio and consolidated net worth. We are also subject to covenants that limit subsidiary indebtedness. The credit facilities provide for borrowings at an interest rate based either on the prime rate or LIBOR.

See Note 8 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information on our debt.

### Shelf Registration

We filed a shelf registration with the Securities and Exchange Commission in 2020 to issue various types of securities, including common stock, preferred stock, debt securities, depository shares, stock purchase contracts, units and warrants. The shelf registration enables us to raise funds from the offering of any securities covered by the shelf registration as well as any combination thereof, subject to market conditions and our capital needs.

## Commitments

The following table summarizes contractual obligations and our reinsurance recoverable by period as of December 31, 2020:

(in millions of dollars)

	<u>Total</u>	<u>In 1 Year or Less</u>	<u>After 1 Year up to 3 Years</u>	<u>After 3 Years up to 5 Years</u>	<u>After 5 Years</u>
<b>Payments Due</b>					
Long-term Debt	\$ 6,092.3	\$ 173.9	\$ 349.8	\$ 1,428.0	\$ 4,140.6
Policyholder Liabilities	47,296.0	5,061.3	7,672.0	6,022.2	28,540.5
Pension and OPEB	585.4	19.2	37.1	41.2	487.9
Miscellaneous Liabilities	1,492.2	1,310.5	10.2	16.8	154.7
Operating Leases	121.6	25.4	39.3	22.5	34.4
Purchase Obligations	807.0	733.6	73.2	0.2	—
<b>Total</b>	<b><u>\$ 56,394.5</u></b>	<b><u>\$ 7,323.9</u></b>	<b><u>\$ 8,181.6</u></b>	<b><u>\$ 7,530.9</u></b>	<b><u>\$ 33,358.1</u></b>
<b>Receipts Due</b>					
Reinsurance Recoverable	<u>\$ 13,922.5</u>	<u>\$ 1,122.4</u>	<u>\$ 2,011.1</u>	<u>\$ 1,853.7</u>	<u>\$ 8,935.3</u>

Long-term debt includes contractual principal and interest payments and therefore exceeds the amount shown in the consolidated balance sheets.

Policyholder liability maturities and the related reinsurance recoverable represent the projected payout of the current in-force policyholder liabilities and the expected cash inflows from reinsurers for liabilities ceded and therefore incorporate uncertainties as to the timing and amount of claim payments. We utilize extensive liability modeling to project future cash flows from the in-force business. The primary assumptions used to project future cash flows are claim incidence rates for mortality and morbidity, claim resolution rates, persistency rates, and interest rates. These cash flows are discounted to determine the current value of the projected claim payments. The timing and amount of payments on policyholder liabilities may vary significantly from the projections above.

Pensions and OPEB commitments relate to our defined benefit pension and postretirement plans for our employees, including our non-qualified pension plan. Pension plan obligations, other than the non-qualified plan, represent our contributions to the pension plans and are projected based on the expected future minimum contributions as required under current U.S. and U.K. legislative funding requirements. Non-qualified pension plan and other postretirement benefit obligations represent the expected benefit payments related to these plans which we expect to pay, as incurred, from our general assets.

Miscellaneous liabilities include commissions due and accrued, deferred compensation liabilities, contingent considerations, state premium taxes payable, amounts due to reinsurance companies, legally binding commitments to fund investments, obligations to return unrestricted cash collateral to our securities lending and derivative counterparties, advances received from the FHLB, and various other liabilities that represent contractual obligations. Obligations where the timing of the payment is uncertain are included in the one year or less category.

See "Critical Accounting Estimates" contained herein in this Item 7 and Notes 3, 4, 6, 8, 9, 12, and 15 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information on our various commitments and obligations.

#### Off-Balance Sheet Arrangements

Purchase obligations include commitments of \$624.0 million to fund certain of our investments. These are included in the preceding table based on the expiration date of the commitments. The funds are due upon satisfaction of contractual notice from appropriate external parties and may or may not be funded. Also included are obligations with outside parties for computer data processing services, software maintenance agreements, and consulting services. The aggregate obligation remaining under these agreements was \$104.5 million at December 31, 2020.

As part of our regular investing strategy, we receive collateral from unaffiliated third parties through transactions which include both securities lending and short-term agreements to purchase securities with the agreement to resell them at a later specified date. For both types of transactions, we require that a minimum of 102 percent of the fair value of the securities loaned or securities purchased under repurchase agreements be maintained as collateral. Generally, cash is received as collateral under these agreements. In the event that securities are received as collateral, we are not permitted to sell or re-post them. We also post our fixed maturity securities as collateral to unaffiliated third parties through transactions including both securities lending and short-term agreements to sell securities with the agreement to repurchase them at a later specified date. See "Transfers of Financial Assets" as follows for further discussion.

To help limit the credit exposure of derivatives, we enter into master netting agreements with our counterparties whereby contracts in a gain position can be offset against contracts in a loss position. We also typically enter into bilateral, cross-collateralization agreements with our counterparties to help limit the credit exposure of the derivatives. These agreements require the counterparty in a loss position to submit acceptable collateral with the other counterparty in the event the net loss position meets or exceeds an agreed upon amount. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. At December 31, 2020, we had \$0.7 million credit exposure on derivatives. We held cash collateral from our counterparties of \$8.7 million at December 31, 2020 and had posted fixed maturity securities with a carrying value of \$54.0 million as collateral to our counterparties.

See Notes 3 and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information.

#### ***Transfers of Financial Assets***

Our investment policy permits us to lend fixed maturity securities to unaffiliated financial institutions in short-term securities lending agreements, which increases our investment income with minimal risk. We account for all of our securities lending agreements and repurchase agreements as secured borrowings. As of December 31, 2020, we held \$17.6 million of cash collateral from securities lending agreements. The average balance for securities lending agreements which were collateralized by cash during the year ended December 31, 2020 was \$3.6 million, and the maximum amount outstanding at any month end was \$17.6 million. In addition, at December 31, 2020, we had \$82.8 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 year ended December 31, 2020 was \$56.8 million, and the maximum amount outstanding at any month end was \$234.3 million.

To manage our cash position more efficiently, we may enter into repurchase agreements with unaffiliated financial institutions. We generally use repurchase agreements as a means to finance the purchase of invested assets or for short-term general business purposes until projected cash flows become available from our operations or existing investments. We had no repurchase agreements outstanding at December 31, 2020, nor did we utilize any repurchase agreements during 2020. Our use of repurchase agreements and securities lending agreements can fluctuate during any given period and will depend on our liquidity position, the availability of long-term investments that meet our purchasing criteria, and our general business needs.

Certain of our U.S. insurance subsidiaries are members of regional Federal Home Loan Banks (FHLB). As of December 31, 2020, we owned \$28.2 million of FHLB common stock and had outstanding advances of \$312.2 million from the regional FHLBs.

See Note 3 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information.

## Consolidated Cash Flows

(in millions of dollars)

	Year Ended December 31		
	2020	2019	2018
Net Cash Provided by Operating Activities	\$ 597.5	\$ 1,741.6	\$ 1,536.5
Net Cash Used by Investing Activities	(267.7)	(1,393.5)	(930.1)
Net Cash Used by Financing Activities	(216.9)	(358.0)	(589.8)
Net Change in Cash and Bank Deposits	\$ 112.9	\$ (9.9)	\$ 16.6

### Operating Cash Flows

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

The variance in the change in insurance reserves and liabilities and net realized investment (gain) loss to reconcile net income to net cash provided by operating activities as reported in our consolidated statements of cash flows for 2020 was due primarily to the 2020 Closed Block individual disability reinsurance transaction. Also included in operating cash flows for 2020 was \$1,084.6 million of cash paid to the reinsurer in the Closed Block individual disability reinsurance agreement.

The variance in the change in insurance reserves and liabilities to reconcile net income to net cash provided by operating activities as reported in our consolidated statements of cash flows for 2018 was due primarily to the 2018 reserve increase for our long-term care line of business.

### Investing Cash Flows

Investing cash inflows consist primarily of the proceeds from the sales and maturities of investments. Investing cash outflows consist primarily of payments for purchases of investments. Our investment strategy is to match the cash flows and durations of our assets with the cash flows and durations of our liabilities to meet the funding requirements of our business. When market opportunities arise, we may sell selected securities and reinvest the proceeds to improve the yield and credit quality of our portfolio. We may at times also sell selected securities and reinvest the proceeds to improve the duration matching of our assets and liabilities and/or re-balance our portfolio. As a result, sales before maturity may vary from period to period. The sale and purchase of short-term investments is influenced by proceeds received from FHLB funding advances, issuance of debt, our securities lending program, and by the amount of cash which is at times held in short-term investments to facilitate the availability of cash to fund the purchase of appropriate long-term investments, repay maturing debt, and/or to fund our capital deployment program. Our cash flows for 2018 include cash outflows, net of cash acquired, of \$145.4 million related to all of our acquisitions during the year.

See Notes 3 and 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further information.

### Financing Cash Flows

Financing cash flows consist primarily of borrowings and repayments of debt, repurchase of common stock, and dividends paid to stockholders.

During 2020, our \$400.0 million 5.625% senior unsecured notes matured and we repaid the remaining \$80.0 million of principal on our senior secured non-recourse notes issued by Northwind Holdings. During 2019, we purchased and retired \$433.1 million aggregate liquidation/principal amount of our outstanding capital and debt securities, including debt repurchase costs of \$25.9 million for a total cash outflow of \$459.0 million. During 2018, our \$200.0 million 7.00% senior unsecured notes matured. During each of the years 2019 and 2018, we made principal payments of \$60.0 million on the Northwind notes.

During 2020, we issued \$500.0 million of 4.50% senior notes due 2025 and received total proceeds of \$494.1 million. During 2019, we issued \$450.0 million of 4.50% senior notes due 2049 and \$400.0 million of 4.00% senior notes due 2029 and received total proceeds of \$841.9 million. During 2018, we issued \$300.0 million of 6.25% junior subordinated notes due 2058 and received total proceeds of \$290.7 million.

Cash used to repurchase shares of Unum Group's common stock during 2019 and 2018 was \$400.3 million and \$356.2 million, respectively. During 2020, 2019, and 2018 we paid dividends of \$231.9 million, \$229.2 million, and \$215.6 million, respectively, to holders of Unum Group's common stock.

Included in financing cash flows during 2020 was \$62.1 million of cash received related to the ALR cohort volatility agreement with Commonwealth.

See "Debt" contained herein in this Item 7, and Notes 8, 10, and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 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. We compete based in part on the financial strength ratings provided by rating agencies. A downgrade of our financial strength ratings can be expected to adversely affect us and could potentially, among other things, adversely affect our relationships with distributors of our products and services and retention of our sales force, negatively impact persistency and new sales, particularly large case group sales and individual sales, and generally adversely affect our ability to compete. A downgrade in the issuer credit rating assigned to Unum Group can be expected to adversely affect our cost of capital or our ability to raise additional capital.

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

	AM Best	Fitch	Moody's	S&P
<b>Outlook</b>	Negative	Negative	Negative	Stable
<b>Issuer Credit Ratings</b>	bbb	BBB-	Baa3	BBB
<b>Financial Strength Ratings</b>				
Provident Life and Accident Insurance Company	A	A-	A3	A
Provident Life and Casualty Insurance Company	A	A-	NR	NR
Unum Life Insurance Company of America	A	A-	A3	A
First Unum Life Insurance Company	A	A-	A3	A
Colonial Life & Accident Insurance Company	A	A-	A3	A
The Paul Revere Life Insurance Company	A	A-	A3	A
Starmount Life Insurance Company	A-	NR	NR	NR
Unum Insurance Company	A-	A-	A3	NR
Unum Limited	NR	NR	NR	A-

*NR = not rated*

We maintain an ongoing dialogue with the four rating agencies that evaluate us in order to inform them of progress we are making regarding our strategic objectives and financial plans as well as other pertinent issues. A significant component of our communications involves our annual review meeting with each of the four agencies. We hold other meetings throughout the year regarding our business, including, but not limited to, quarterly updates.

On April 16, 2020, Fitch downgraded the financial strength rating on our rated domestic insurance subsidiaries from A to A- and the issuer credit rating on our senior debt obligations from BBB to BBB- due to ongoing concerns regarding our long-term care exposure and the adequacy of those reserves. In addition, Fitch also maintained a negative outlook following the downgrade due

to concerns over the current COVID-19 pandemic and the impact it may have on our financial position and operating results, particularly as it relates to investment returns and claims incidence.

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

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

On May 27, 2020, AM Best revised their outlook from stable to negative while affirming both the financial strength ratings on our domestic insurance subsidiaries and the long-term issuer ratings on our senior debt obligations. The negative outlook reflects concerns related to future capital contributions required to support our long-term care reserves as well as the impacts from current economic conditions on our operating results and investment portfolio.

There have been no other changes in the rating agencies' outlooks or ratings during 2020 or in 2021 prior to the date of this filing.

Agency ratings are not directed toward the holders of our securities and are not recommendations to buy, sell, or hold our securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be regarded as an independent assessment, not conditional on any other rating. Given the dynamic nature of the ratings process, changes by these or other rating agencies may or may not occur in the near-term. We have ongoing dialogue with the rating agencies concerning our insurance risk profile, our financial flexibility, our operating performance, and the quality of our investment portfolios. The rating agencies provide specific criteria and, depending on our performance relative to the criteria, will determine future negative or positive rating agency actions.

See "Ratings" contained herein in Item 1 and "Risk Factors" contained herein in Item 1A for further discussion.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to various market risk exposures, including interest rate risk and foreign exchange rate risk. The following discussion regarding our risk management activities includes forward-looking statements that involve risk and uncertainties. Estimates of future performance and economic conditions are reflected assuming certain changes in market rates and prices were to occur (sensitivity analysis). Caution should be used in evaluating our overall market risk from the information presented below, as actual results may differ. See "Risk Factors" contained herein in Item 1A, "Investments" contained herein in Item 7, and Notes 2, 3, and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the qualitative aspects of market risk, including derivative financial instrument activity.

### **Interest Rate Risk**

Our exposure to interest rate changes results from our holdings of financial instruments such as fixed rate investments, derivatives, and interest sensitive liabilities. Fixed rate investments include fixed maturity securities, mortgage loans, policy loans, and short-term investments. Fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, public utility bonds, corporate bonds, mortgage-backed securities, and redeemable preferred stock, all of which are subject to risk resulting from interest rate fluctuations. Certain of our financial instruments, fixed maturity securities and derivatives, are carried at fair value in our consolidated balance sheets. The fair value of these financial instruments may be adversely affected by changes in interest rates. A rise in interest rates may decrease the net unrealized gain related to these financial instruments, but may improve our ability to earn higher rates of return on new purchases of fixed maturity securities. Conversely, a decline in interest rates may increase the net unrealized gain, but new securities may be purchased at lower rates of return. Although changes in fair value of fixed maturity securities and derivatives due to changes in interest rates may impact amounts reported in our consolidated balance sheets, these changes will not cause an economic gain or loss unless we sell investments, terminate derivative positions, determine that an investment is impaired, or determine that a derivative instrument is no longer an effective hedge.

Other fixed rate investments, such as mortgage loans and policy loans, are carried at amortized cost and unpaid balances, respectively, rather than fair value in our consolidated balance sheets. These investments may have fair values substantially higher or lower than the carrying values reflected in our balance sheets. A change in interest rates could impact our financial



position if we sold our mortgage loan investments at times of low market value. A change in interest rates would not impact our financial position at repayment of policy loans, as ultimately the cash surrender values or death benefits would be reduced for the carrying value of any outstanding policy loans. Carrying amounts for short-term investments approximate fair value, and we believe we have minimal interest rate risk exposure from these investments.

We believe that the risk of being forced to liquidate investments or terminate derivative positions is minimal, primarily due to the level of capital at our insurance subsidiaries, the level of cash and marketable securities at our holding companies, and our investment strategy which we believe provides for adequate cash flows to meet the funding requirements of our business. We may in certain circumstances, however, need to sell investments due to changes in regulatory or capital requirements, changes in tax laws, rating agency decisions, and/or unexpected changes in liquidity needs.

Although our policy benefits are primarily in the form of claim payments and we therefore have minimal exposure to the policy withdrawal risk associated with deposit products such as individual life policies or annuities, the fair values of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment cash flows with amounts due under insurance contracts. Changes in interest rates and individuals' behavior affect the amount and timing of asset and liability cash flows. We actively monitor our asset and liability cash flow match and our asset and liability duration match to manage interest rate risk. Due to the long duration of our long-term care product, the timing of our investment cash flows do not match those of our maturing liabilities. We model and test asset and liability portfolios to improve interest rate risk management and net yields. Testing the asset and liability portfolios under various interest rate and economic 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. We use current and forward interest rate swaps, options on forward interest rate swaps, and forward treasury locks to hedge interest rate risks and to match asset durations and cash flows with corresponding liabilities.

Debt is not carried at fair value in our consolidated balance sheets. If we modify or replace existing debt instruments at current market rates, we may incur a gain or loss on the transaction. We believe our debt-related risk to changes in interest rates is relatively minimal.

We measure our financial instruments' market risk related to changes in interest rates using a sensitivity analysis. This analysis estimates potential changes in fair values as of December 31, 2020 and 2019 based on a hypothetical immediate increase of 100 basis points in interest rates from year end levels. The selection of a 100 basis point immediate parallel change in interest rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

The hypothetical potential changes in fair value of our financial instruments at December 31, 2020 and 2019 are shown as follows:

<i>(in millions of dollars)</i>	December 31, 2020			
	Notional Amount of Derivatives	Fair Value	Hypothetical	
			FV + 100 BP	Change in FV
<b>Assets</b>				
Fixed Maturity Securities <sup>1</sup>		\$ 44,137.3	\$ 40,420.9	\$ (3,716.4)
Mortgage Loans		2,641.8	2,480.9	(160.9)
Policy Loans, Net of Reinsurance Ceded		460.2	436.7	(23.5)
<b>Liabilities</b>				
Unrealized Adjustment to Reserves, Net of Reinsurance Ceded and Deferred Acquisition Costs <sup>2</sup>		\$ (6,110.5)	\$ (3,003.6)	\$ 3,106.9
Long-term Debt		(3,887.4)	(3,560.0)	327.4
<b>Derivatives <sup>1</sup></b>				
Swaps	\$ 732.5	\$ (39.4)	\$ (97.6)	\$ (58.2)
Forwards	11.9	(0.5)	(0.1)	0.4
Embedded Derivative in Modified Coinsurance Arrangement		(39.8)	(35.0)	4.8
<i>(in millions of dollars)</i>	December 31, 2019			
	Notional Amount of Derivatives	Fair Value	Hypothetical	
			FV + 100 BP	Change in FV
<b>Assets</b>				
Fixed Maturity Securities <sup>1</sup>		\$ 47,443.7	\$ 43,612.8	\$ (3,830.9)
Mortgage Loans		2,556.3	2,391.5	(164.8)
Policy Loans, Net of Reinsurance Ceded		420.8	389.7	(31.1)
<b>Liabilities</b>				
Unrealized Adjustment to Reserves, Net of Reinsurance Ceded and Deferred Acquisition Costs <sup>2</sup>		\$ (5,441.1)	\$ (2,626.8)	\$ 2,814.3
Long-term Debt		(3,239.0)	(2,940.1)	298.9
<b>Derivatives <sup>1</sup></b>				
Swaps	\$ 872.5	\$ (7.2)	\$ (36.5)	\$ (29.3)
Forwards	8.9	0.1	(0.1)	(0.2)
Embedded Derivative in Modified Coinsurance Arrangement		(22.8)	(22.7)	0.1

<sup>1</sup> These financial instruments are carried at fair value in our consolidated balance sheets. Changes in fair value resulting from changes in interest rates may affect the fair value at which the item is reported in our consolidated balance sheets. The corresponding offsetting change is reported in other comprehensive income or loss, net of income tax, except for changes in the fair value of derivatives accounted for as fair value hedges or derivatives not designated as hedging instruments, the offset of which is reported as a component of net realized investment gain or loss.

<sup>2</sup> The adjustment to reserves and deferred acquisition costs for unrealized investment gains and losses reflects the adjustments to policyholder liabilities and deferred acquisition costs that would be necessary if the unrealized investment gains and losses related to the fixed maturity securities had been realized. Changes in this adjustment are also reported as a component of other comprehensive income or loss, net of income tax.

The effect of a change in interest rates on asset prices was determined using a duration implied methodology for corporate bonds and government and government agency securities whereby the duration of each security was used to estimate the change in price for the security assuming an increase of 100 basis points in interest rates. The effect of a change in interest rates on the mortgage-backed securities was estimated using a mortgage analytic system which takes into account the impact of changing prepayment speeds resulting from a 100 basis point increase in interest rates on the change in price of the mortgage-backed securities. These hypothetical prices were compared to the actual prices for the period to compute the overall change in market value. The changes in the fair values shown in the chart above for all other items were determined using discounted cash flow analyses. Because we actively manage our investments and liabilities, actual changes could be less than those estimated above.

We remain in an environment of low interest rates, which continues to place pressure on our profit margins as we invest cash flows to support our businesses. We estimate that we will have approximately \$2.4 billion of investable cash flows in 2021. Assuming interest rates and credit spreads remain constant throughout 2022 at the January 2021 market levels, our net investment income would decrease by an immaterial amount in both 2021 and 2022 as a result of the investment of cash flows at levels below our current expectations. This interest rate scenario does not give consideration to the effect of other factors which could impact these results, such as changes in the bond market and changes in hedging strategies and positions, nor does it consider the potential change to our discount rate reserve assumptions and any mitigating factors such as pricing adjustments. In addition, a continued low or declining interest rate environment may also result in an increase in the net periodic benefit costs for our pension plans, but we do not believe it would materially affect net income in 2021 or 2022.

### **Foreign Currency Risk**

The functional currency of our U.K. operations is the British pound sterling. The functional currency of our operations in Poland is the Polish zloty. We are exposed to foreign currency risk arising from fluctuations in the British pound sterling and Polish zloty to U.S. dollar exchange rates primarily as they relate to the translation of the financial results of our U.K. and Polish operations. Fluctuations in exchange rates have an effect on our reported financial results. We do not hedge against the possible impact of this risk. Because we do not actually convert our functional currency into dollars except for a limited number of transactions, we view foreign currency translation as a financial reporting issue and not a reflection of operations or profitability in our U.K. or Polish operations.

Assuming the pound to dollar exchange rate decreased 10 percent from the December 31, 2020 and 2019 levels, stockholders' equity as reported in U.S. dollars would have been lower by approximately \$76 million and \$68 million, respectively. Assuming the pound to dollar average exchange rate decreased 10 percent from the actual average exchange rates for 2020 and 2019, adjusted operating income, as reported in U.S. dollars, would have decreased approximately \$7 million and \$10 million, respectively. Our Polish operations are currently not a significant portion of our overall operations and any changes in the dollar exchange rate would not represent a material impact to our reported financial results in U.S. dollars.

Dividends paid by Unum Limited are generally held at our U.K. finance subsidiary or our U.K. holding company. If these funds are repatriated to our U.S. holding company, we would at that time be subject to foreign currency risk as the value of the dividend, when converted into U.S. dollars, would be dependent upon the foreign exchange rate at the time of conversion.

We are also exposed to foreign currency risk related to certain foreign investment securities denominated in local currencies. We use foreign currency interest rate swaps to hedge or minimize the foreign exchange risk associated with these instruments.

See "Risk Factors" contained herein in Item 1A and "Consolidated Operating Results" and "Unum International Segment" contained herein in Item 7 for further information concerning foreign currency translation.

### **Risk Management**

Effectively taking and managing risks is essential to the success of our Company. To facilitate this effort, we have a formal Enterprise Risk Management (ERM) program, with a framework comprising the following key components:

- Risk-aware culture and governance
- Risk appetite policy
- Risk identification and prioritization
- Risk and capital modeling
- Risk management activities
- Risk reporting

Our ERM framework is the ongoing system of people, processes, and tools across our Company under which we intend to function consistently and collectively to identify and assess risks and opportunities, to manage all material risks within our risk appetite, and to contribute to strategic decision making. With the goal of maximizing shareholder value, the primary objectives of our ERM framework are to support Unum Group in meeting its operational and financial objectives, maintaining liquidity, optimizing capital, and protecting franchise value.

***Risk-Aware Culture and Governance***

We employ a risk management model under which risk-based decisions are made daily on a local level. To achieve long-term success, we believe risk management must be the responsibility of all employees. The individual and collective decisions of our employees play a key role in successfully managing our overall risk profile. We strive for a culture of integrity, commitment, and accountability and we believe these values allow our employees to feel comfortable identifying issues as well as taking ownership for addressing potential problems.

Our employees have an obligation to report issues that they believe will have a material financial, reputational, or regulatory impact to the Company. We offer several channels for employees to report their issues or concerns and encourage employees to use the channel that is most appropriate for their situation. We recommend that an employee initially discuss their concerns with their manager; however, if that channel is not appropriate an employee may use any of the other reporting channels available. By employing various approaches, we have established a culture that supports candid discussion and reporting of risks, and empowers our employees to take ownership for risk management.

Our culture is reinforced by our system of risk governance. We employ a multi-layered risk control system. Our lines of defense model is depicted below.

<b>1st Line: Own and Manage</b>	<b>2nd Line: Oversee</b>	<b>3rd Line: Independent Assurance</b>
Business processes and procedures employed throughout the Company through which management assumes and monitors significant risks	Governing bodies chartered with oversight of activities within the 1st and 2nd lines of defense, mitigation of substantial exposures, and management of emerging risks	Independent assurance on the effectiveness of governance, risk management, and internal control performed by internal audit and the board of directors

Business units are primarily responsible for managing their principal risks. Our risk committees and other governing bodies serve as risk and control functions responsible for providing risk oversight, or the second line of risk control. Our internal audit team provides periodic independent reviews and assurance activities serving as our third line of risk control.

In addition, our board has an active role, as a whole and through its committees, in overseeing management of our risks. The board is responsible for the oversight of strategic risk and regularly reviews information regarding our capital, liquidity, and operations, as well as the risks associated with each. The risk and finance committee of the board is responsible for oversight of our risk management process, including financial risk, operational risk, and any other risk not specifically assigned to another board committee. It also is responsible for oversight of risks associated with investments, capital and financing plans and activities, and related financial matters, including matters pertaining to our Closed Block segment. The risk and finance committee also oversees risks arising under our information security and business resiliency programs, including cybersecurity, disaster recovery, and business continuity risks, although other committees oversee cyber-related operational risks as necessary to carry out their responsibilities. The audit committee of the board is responsible for oversight of risks relating to financial reporting risk and certain operational risks. The human capital committee of the board is responsible for oversight of risks relating to our compensation plans and programs. The regulatory compliance committee of the board is responsible for oversight of risks related to regulatory, compliance, policy, and legal matters, both current and emerging, and whether of a local, state, federal, or international nature. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board is regularly informed through committee reports about such risks in addition to the risk information it receives directly.

Our executive risk management committee is responsible for overseeing our enterprise-wide risk management program. The chief risk officer, who is a member of the executive risk management committee, has primary responsibility for our ERM program and is supported by management committees and other governing bodies. These committees are responsible for identifying, measuring, reporting, and managing strategic insurance and operational risks within their respective areas, consistent with enterprise risk management guidance.

### ***Risk Appetite Policy***

Our risk appetite policy describes the types of risks we are willing to take, as well as the amount of enterprise risk exposure we deem acceptable in pursuit of our goals, with an objective of clearly defining boundaries for our risk-taking activities.

The starting point of our philosophy and approach to our ERM strategy is our corporate strategy. In contrast to many multi-line peer companies, we do not offer retirement savings, traditional medical benefits, or property and casualty insurance. Our corporate strategy is focused on providing group, individual, and voluntary benefits, either as stand-alone products or combined with other coverages, that create comprehensive benefits solutions for employers. We have market leadership positions in the product lines we offer and believe this combination of focused expertise and experience is a competitive advantage and forms the foundation of our approach to risk management.

We believe our sound and consistent business practices, strong internal compliance program, and comprehensive risk management strategy enable us to operate efficiently and to identify and address potential areas of risk in our business. We take and manage risks to achieve our business and strategic objectives, and our risk appetite statement sets boundaries for risk-taking activities that link earnings, capital, and operational processes, as well as summarizes our most material risk limits and controls. We monitor our risk profile against our established risk tolerance and limits. Risks falling outside our risk tolerance and limits are reported to the applicable governance group, where decisions are made pertaining to acceptance of the risk or implementation of remediation plans or corrective actions as deemed appropriate by that governance group.

### ***Risk Identification and Prioritization***

Risk identification and prioritization is an ongoing process, whereby we identify and assess our risk positions and exposures, including notable risk events. Additionally, we identify emerging risks and analyze how material future risks might affect us. Knowing the potential risks we face, allows us to monitor and manage their potential effects including adjusting our strategies as appropriate and holding capital levels which provide financial flexibility. Business process owners, supported by the ERM program, have primary responsibility for identifying and prioritizing risks within their respective areas.

We face a wide range of risks, and our continued success depends on our ability to identify and appropriately manage our risk exposures. For additional information on certain risks that may adversely affect our business, operating results, or financial condition see "Cautionary Statement Regarding Forward-Looking Statements" contained herein on page 1 and "Risk Factors" contained herein in Item 1A.

### ***Risk Modeling and Controls***

We assess material risks, including how they affect us and how individual risks interrelate, to provide valuable information to management in order that they may effectively manage our risks. We use qualitative and quantitative approaches to assess existing and emerging risks and to develop mitigating strategies to limit our exposure to both.

We utilize stress testing and scenario analysis for risk management and to shape our business, financial, and strategic planning activities. Both are key components of our risk appetite policy and play an important role in monitoring, assessing, managing, and mitigating our primary risk exposures.

In particular, stress testing of our capital and liquidity management strategies enables us to identify areas of high exposure, assess mitigating actions, develop contingency plans, and guide decisions around our target capital and liquidity levels. For example, we periodically perform stress tests on certain categories of assets or liabilities to support development of capital and liquidity risk contingency plans. These tests help ensure that we have a buffer to support our operations in uncertain times and financial flexibility to respond to market opportunities. Stress testing is also central to reserve adequacy testing, cash flow testing, and asset and liability management.

In addition, we aim to constantly improve our capital modeling techniques and methodologies that are used to determine a level of capital that is commensurate with our risk profile and to ensure compliance with evolving regulatory and rating agency requirements. Our capital modeling reflects appropriate aggregation of risks and diversification benefits resulting from our mix of products and business units.

Our internal capital modeling and allocation aids us in making significant business decisions including strategic planning, capital management, risk limit determination, reinsurance purchases, hedging activities, asset allocation, pricing, and corporate development.

### ***Risk Management Activities***

We accept and manage market, credit, insurance, operational and strategic risks in accordance with our corporate strategy, investment policy, and annual business plans. The following fundamental principles are embedded in our risk management efforts across our Company.

- We believe in the benefits of specialization and a focused business strategy. We seek profitable risk-taking in areas where we have established risk management skills and capabilities.
- We seek to manage our exposure to insurance risk through a combination of prudent underwriting with effective risk selection, maintaining pricing discipline, sound reserving practices, claims operational effectiveness, and selective use of reinsurance. Detailed underwriting guidelines and claim policies are tools used to manage our insurance risk exposure. We also monitor exposures against internally prescribed limits, and we diversify to reduce potential concentration risk and volatility.
- We maintain a detailed set of investment policies and guidelines, including fundamental credit analysis, that are used to manage our credit risk exposure and diversify our risks across asset classes and issuers.
- We value the importance of managing cyber-related risks, and have policies and procedures in place to help protect against insider trading and allow for timely disclosure of material cybersecurity events.
- Finally, we foster a risk-aware culture that embeds our corporate values and our code of conduct in our daily operations and preserves our reputation with customers and other key stakeholders. We monitor a composite set of operational risk metrics that measure operating effectiveness from the customer perspective.

### ***Risk Reporting***

Regular internal and external risk reporting is an integral part of our ERM framework. Internally, ERM reports are a standard part of our quarterly senior management and board meetings. The reports summarize our existing and emerging risk exposures, as well as report against the tolerances and limits defined by our risk appetite policy.

Externally, we are subject to a number of regulatory and rating agency risk examinations, and risk reports are often included. Annually, we file our Own Risk and Solvency Assessment (ORSA) summary report with the applicable insurance regulators for our U.S. insurance subsidiaries. This report provides strong evidence of the strengths of our ERM framework, measurement approaches, key assumptions utilized in assessing our risks, and prospective solvency assessments under both normal and stressed conditions. See "Regulation" contained herein in Item 1 for additional information regarding the ORSA.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Unum Group

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Unum Group and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control -Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2021 expressed an unqualified opinion thereon.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Reserves for Long Term Care Policy and Contract Benefits***

#### *Description of the Matter*

The Company's reserves for individual and group long-term care policy and contract benefits are \$12.8 billion of the \$49.7 billion of Reserves for Future Policy and Contract Benefits on the consolidated balance sheet as of December 31, 2020. The two primary categories of long-term care reserves are policy reserves for claims not yet incurred and claim reserves for claims that have been incurred or are estimated to have been incurred but not yet reported. Notes 1 and 6 to the consolidated financial statements describe the accounting for these reserves.

Policy reserves are established based on a gross premium valuation method to estimate the difference between projected future policy benefits and future premiums utilizing assumptions established as of the most recent loss recognition. Claim reserves are established based on a tabular reserve methodology representing assumptions reflecting the best estimate of the present value of the liability for future claim payments and claim adjustment expenses. Management is required to evaluate its long-term care reserves each period to determine if a reserve deficiency exists. There is significant uncertainty in estimating long-term care reserves given the extended period over which claims are paid and sensitivity of the estimate to assumptions, including morbidity, mortality, claims incidence and resolutions, persistency, interest rates, and future premium rate increases. In connection with the annual review of long-term care policy and claim reserve adequacy, the Company increased its long-term care policy and claim reserves by \$151.5 million as of December 31, 2020.

Auditing the long-term care policy and contract benefits reserves was complex due to the highly judgmental nature of the significant assumptions including morbidity, mortality, claims incidence and resolutions, persistency, interest rates and future premium rate increases used in the measurement process. The significant judgment and the sensitivity of the estimate to these assumptions can have a material effect on the valuation of the liability.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the long-term care reserves process, including controls over the review and approval of assumptions which incorporate the Company's most recent experience.

To test long-term care policy and contract benefits liability we performed audit procedures, with the assistance of our actuarial specialists, that included, among others, an evaluation of the methodologies applied by management's actuarial specialists with those methods used in prior periods. We evaluated the significant assumptions used by management in determining the policy and claims reserves by comparing the significant assumptions, including expected morbidity, mortality, claims incidence and resolutions, persistency, interest rates, and future premium rate increases to historical assumptions, prior actual experience, policyholder experience studies performed by management, available industry information, observable market data, or management's estimates of prospective changes in these assumptions. In addition, we performed a review of the historical results of the development of the estimate, assessed management's annual reserve adequacy test, evaluated the reasonableness of the additional reserves resulting from the reserve adequacy test, and performed an independent recalculation of policy and contract benefit reserves for a sample of contracts which we compared to the actuarial model used by management.



### ***Accounting for Reinsurance of Closed Block Individual Disability Insurance***

#### ***Description of the Matter***

As discussed in Note 12 to the consolidated financial statements, in December 2020, the Company entered into a series of agreements (collectively referred to as the "reinsurance agreement") to reinsure a substantial portion of the closed block individual disability insurance business (IDI Closed Block) to Commonwealth Annuity and Life Insurance Company (Commonwealth) with a reinsurance effective date of July 1, 2020. The Company ceded \$6.1 billion of disabled life reserves on a coinsurance basis along with transferring \$6.7 billion of fixed maturity securities and cash supporting the reserves and payment of a \$438 million ceding commission to Commonwealth. In addition, the Company provided a 12-year volatility cover for the active life reserve cohort of the IDI Closed Block in exchange for a payment of \$62 million from Commonwealth. The transfer of the disabled life reserves were accounted for as reinsurance and the active life cohort was accounted for using the deposit method. The Company recorded a cost of reinsurance asset of \$815.7 million for this transaction that will be amortized over the remaining life of the IDI Closed Block.

Auditing the reinsurance of the closed block individual disability insurance was complex due to multiple elements of the transaction including the assessment of risk transfer, determination of the cost of reinsurance asset, accounting for transfers of assets and liabilities and recording of the reinsurance recoverable amounts.

#### ***How We Addressed the Matter in Our Audit***

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over the reinsurance agreement process including, among others, controls related to whether the agreement passes risk transfer, the determination of the cost of reinsurance, and the accounting for transfers of assets and liabilities and recording of the reinsurance recoverable amounts.

Our audit procedures included, among others, assessing the terms of the reinsurance agreement with Commonwealth, evaluating management's risk transfer conclusion, testing the calculation of the cost of reinsurance and the recognized investments gains and benefit expense amounts, and testing the reinsurance recoverable recorded.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

Chattanooga, Tennessee  
February 17, 2021

**CONSOLIDATED BALANCE SHEETS****Unum Group and Subsidiaries**

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Assets</b>		
<b>Investments</b>		
Fixed Maturity Securities - at fair value (amortized cost of \$36,546.5; \$41,079.3; allowance for credit losses of \$6.8; \$—)	\$ 44,137.3	\$ 47,443.7
Mortgage Loans (net of allowance for credit losses of \$13.1; \$—)	2,432.1	2,397.0
Policy Loans	3,683.9	3,779.5
Other Long-term Investments	960.2	844.2
Short-term Investments	1,470.0	1,294.5
<b>Total Investments</b>	<b>52,683.5</b>	<b>55,758.9</b>
<b>Other Assets</b>		
Cash and Bank Deposits	197.0	84.1
Accounts and Premiums Receivable (net of allowance for credit losses of \$38.8; \$10.3)	1,519.3	1,602.9
Reinsurance Recoverable (net of allowance for credit losses of \$11.7; \$—)	10,666.0	4,780.7
Accrued Investment Income	611.4	693.0
Deferred Acquisition Costs	2,272.6	2,324.0
Goodwill	353.0	351.7
Property and Equipment	498.0	534.1
Income Tax Receivable	72.7	—
Other Assets	1,752.3	884.0
<b>Total Assets</b>	<b>\$ 70,625.8</b>	<b>\$ 67,013.4</b>

See notes to consolidated financial statements.

**CONSOLIDATED BALANCE SHEETS - Continued**

**Unum Group and Subsidiaries**

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Policy and Contract Benefits	\$ 1,855.4	\$ 1,745.5
Reserves for Future Policy and Contract Benefits	49,653.0	47,780.1
Unearned Premiums	349.3	363.9
Other Policyholders' Funds	1,663.9	1,599.7
Income Tax Payable	—	256.7
Deferred Income Tax	416.1	95.4
Short-term Debt	—	399.7
Long-term Debt	3,345.7	2,926.9
Other Liabilities	2,471.4	1,880.5
<b>Total Liabilities</b>	<b>59,754.8</b>	<b>57,048.4</b>
<b>Commitments and Contingent Liabilities - Note 14</b>		
<b>Stockholders' Equity</b>		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 306,566,572 and 305,813,326 shares	30.7	30.6
Additional Paid-in Capital	2,376.2	2,348.1
Accumulated Other Comprehensive Income	374.2	37.3
Retained Earnings	11,269.6	10,728.7
Treasury Stock - at cost: 102,876,514 shares	(3,179.7)	(3,179.7)
<b>Total Stockholders' Equity</b>	<b>10,871.0</b>	<b>9,965.0</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 70,625.8</b>	<b>\$ 67,013.4</b>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF INCOME**

**Unum Group and Subsidiaries**

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars, except share data)		
<b>Revenue</b>			
Premium Income	\$ 9,378.1	\$ 9,365.6	\$ 8,986.1
Net Investment Income	2,360.7	2,435.3	2,453.7
Net Realized Investment Gain (Loss)	1,199.1	(23.2)	(39.5)
Other Income	224.2	221.2	198.2
<b>Total Revenue</b>	<b>13,162.1</b>	<b>11,998.9</b>	<b>11,598.5</b>
<b>Benefits and Expenses</b>			
Benefits and Change in Reserves for Future Benefits	8,972.9	7,496.2	8,020.4
Commissions	1,057.3	1,122.7	1,108.4
Interest and Debt Expense	188.2	177.4	167.3
Cost Related to Early Retirement of Debt	—	27.3	—
Deferral of Acquisition Costs	(576.2)	(658.6)	(668.0)
Amortization of Deferred Acquisition Costs	606.1	609.9	565.5
Compensation Expense	953.2	898.3	885.9
Other Expenses	996.6	943.6	891.2
<b>Total Benefits and Expenses</b>	<b>12,198.1</b>	<b>10,616.8</b>	<b>10,970.7</b>
<b>Income Before Income Tax</b>	<b>964.0</b>	<b>1,382.1</b>	<b>627.8</b>
<b>Income Tax Expense (Benefit)</b>			
Current	(116.6)	274.8	227.4
Deferred	287.6	7.0	(123.0)
<b>Total Income Tax Expense</b>	<b>171.0</b>	<b>281.8</b>	<b>104.4</b>
<b>Net Income</b>	<b>\$ 793.0</b>	<b>\$ 1,100.3</b>	<b>\$ 523.4</b>
<b>Net Income Per Common Share</b>			
Basic	\$ 3.89	\$ 5.25	\$ 2.38
Assuming Dilution	\$ 3.89	\$ 5.24	\$ 2.38

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Unum Group and Subsidiaries**

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Net Income</b>	\$ 793.0	\$ 1,100.3	\$ 523.4
<b>Other Comprehensive Income (Loss)</b>			
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of \$250.2; \$757.0; \$(614.2))	983.0	2,870.9	(2,314.5)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of \$(138.2); \$(511.7); \$371.7)	(531.2)	(1,942.6)	1,411.8
Change in Net Gain on Hedges (net of tax benefit of \$23.8; \$17.0; \$8.2)	(90.0)	(62.8)	(31.7)
Change in Foreign Currency Translation Adjustment (net of tax expense (benefit) of \$(4.3); \$0.2; \$(0.6))	20.3	23.6	(50.7)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense (benefit) of \$(34.8); \$(9.3); \$17.0)	(45.2)	(37.6)	60.9
<b>Total Other Comprehensive Income (Loss)</b>	<b>336.9</b>	<b>851.5</b>	<b>(924.2)</b>
<b>Comprehensive Income (Loss)</b>	<b>\$ 1,129.9</b>	<b>\$ 1,951.8</b>	<b>\$ (400.8)</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

### Unum Group and Subsidiaries

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Common Stock</b>			
Balance at Beginning of Year	\$ 30.6	\$ 30.5	\$ 30.5
Common Stock Activity	0.1	0.1	—
Balance at End of Year	30.7	30.6	30.5
<b>Additional Paid-in Capital</b>			
Balance at Beginning of Year	2,348.1	2,321.7	2,303.3
Common Stock Activity	28.1	26.4	18.4
Balance at End of Year	2,376.2	2,348.1	2,321.7
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Balance at Beginning of Year	37.3	(814.2)	127.5
Adjustment to Adopt Accounting Standard Update - Note 1	—	—	(17.5)
Balance at Beginning of Year, as Adjusted	37.3	(814.2)	110.0
Other Comprehensive Income (Loss)	336.9	851.5	(924.2)
Balance at End of Year	374.2	37.3	(814.2)
<b>Retained Earnings</b>			
Balance at Beginning of Year	10,728.7	9,863.1	9,542.2
Adjustment to Adopt Accounting Standard Update - Note 1	(18.9)	(3.4)	14.5
Balance at Beginning of Year, as Adjusted	10,709.8	9,859.7	9,556.7
Net Income	793.0	1,100.3	523.4
Dividends to Stockholders (per common share: \$1.14; \$1.09; \$0.98)	(233.2)	(231.3)	(217.0)
Balance at End of Year	11,269.6	10,728.7	9,863.1
<b>Treasury Stock</b>			
Balance at Beginning of Year	(3,179.7)	(2,779.3)	(2,428.6)
Purchases of Treasury Stock	—	(400.4)	(350.7)
Balance at End of Year	(3,179.7)	(3,179.7)	(2,779.3)
<b>Total Stockholders' Equity at End of Year</b>	<b>\$ 10,871.0</b>	<b>\$ 9,965.0</b>	<b>\$ 8,621.8</b>

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### Unum Group and Subsidiaries

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Cash Flows from Operating Activities</b>			
Net Income	\$ 793.0	\$ 1,100.3	\$ 523.4
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Change in Receivables	242.9	37.5	(4.7)
Change in Deferred Acquisition Costs	29.9	(48.7)	(102.5)
Change in Insurance Reserves and Liabilities	1,610.0	376.1	1,193.1
Change in Income Taxes	(31.3)	248.2	(39.1)
Change in Other Accrued Liabilities	160.1	51.3	(10.1)
Non-cash Components of Net Investment Income	(120.5)	(237.9)	(211.1)
Net Realized Investment (Gain) Loss	(1,199.1)	23.2	39.5
Depreciation	113.6	110.1	101.4
Cash Related to Reinsurance Agreement	(1,084.6)	—	—
Other, Net	83.5	81.5	46.6
<b>Net Cash Provided by Operating Activities</b>	<u>597.5</u>	<u>1,741.6</u>	<u>1,536.5</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Sales of Fixed Maturity Securities	990.8	955.2	642.5
Proceeds from Maturities of Fixed Maturity Securities	2,052.4	2,401.0	2,815.4
Proceeds from Sales and Maturities of Other Investments	237.0	363.5	454.0
Purchase of Fixed Maturity Securities	(3,169.6)	(4,022.4)	(3,861.7)
Purchase of Other Investments	(440.6)	(568.5)	(623.2)
Net Sales (Purchases) of Short-term Investments	(133.1)	(267.6)	200.5
Net Increase (Decrease) in Payables for Collateral on Investments	314.5	(104.1)	(268.1)
Acquisition of Business (Net of Cash Acquired)	—	—	(145.4)
Net Purchases of Property and Equipment	(119.1)	(150.9)	(144.1)
Other, Net	—	0.3	—
<b>Net Cash Used by Investing Activities</b>	<u>(267.7)</u>	<u>(1,393.5)</u>	<u>(930.1)</u>
<b>Cash Flows from Financing Activities</b>			
Short-term Debt Repayment	(400.0)	—	(200.0)
Issuance of Long-term Debt	494.1	841.9	290.7
Long-term Debt Repayment	(80.0)	(493.1)	(60.0)
Cost Related to Early Retirement of Debt	—	(25.9)	—
Issuance of Common Stock	4.4	6.1	4.6
Repurchase of Common Stock	—	(400.3)	(356.2)
Dividends Paid to Stockholders	(231.9)	(229.2)	(215.6)
Cash Received Related to Active Life Volatility Cover Agreement	62.1	—	—
Other, Net	(65.6)	(57.5)	(53.3)
<b>Net Cash Used by Financing Activities</b>	<u>(216.9)</u>	<u>(358.0)</u>	<u>(589.8)</u>
<b>Net Increase (Decrease) in Cash and Bank Deposits</b>	112.9	(9.9)	16.6
<b>Cash and Bank Deposits at Beginning of Year</b>	84.1	94.0	77.4
<b>Cash and Bank Deposits at End of Year</b>	<u>\$ 197.0</u>	<u>\$ 84.1</u>	<u>\$ 94.0</u>

See notes to consolidated financial statements.

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies**

**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). Such accounting principles differ from statutory accounting principles (see Note 16). Intercompany transactions have been eliminated.

**Description of Business:** We are a leading provider of financial protection benefits in the United States, the United Kingdom, and Poland. Our products include disability, life, accident, critical illness, dental and vision, and other related services. We market our products primarily through the workplace.

We have three principal operating business segments: Unum US, Unum International, and Colonial Life. Our other reporting segments are Closed Block and Corporate. See Note 13 for further discussion of our operating segments.

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

**Fixed Maturity Securities:** Fixed maturity securities include long-term bonds and redeemable preferred stocks. Our fixed maturity securities are classified as available-for-sale and reported at fair value. Changes in the fair value of available-for-sale fixed maturity securities, except for amounts related to impairment and credit losses recognized in earnings, are reported as a component of other comprehensive income. These amounts are net of income tax and valuation adjustments to deferred acquisition costs and reserves for future policy and contract benefits which would have been recorded had the related unrealized gain or loss on these securities been realized.

Interest income is recorded as part of net investment income when earned, using an effective yield method giving effect to amortization of premium and accretion of discount. Included within fixed maturity securities are mortgage-backed and asset-backed securities. 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. For fixed maturity securities on which collection of investment income is uncertain, we discontinue the accrual of investment income and recognize investment income when interest and dividends are received. Payment terms specified for fixed maturity securities may include a prepayment penalty for unscheduled payoff of the investment. Prepayment penalties are recognized as investment income when received.

In determining when a decline in fair value below amortized cost of a fixed maturity security is a credit loss, we evaluate available information, both positive and negative, in reaching our conclusions. In particular, we 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 all 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 that 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 represent credit losses. The significance of the decline in value is also an important factor, but we generally do not record an impairment loss based solely on this factor, since often other more relevant factors will impact our evaluation of a security.

For securities with a decline in fair value below amortized costs which we intend to sell or more likely than not will be required to sell before recovery in value, the amortized cost of the investment is written down to fair value through earnings, and an impairment loss is recognized in the current period. For securities that we believe are impaired and which we do not intend to sell and it is not more likely than not that we will be required to sell before recovery in value, we calculate an allowance for credit losses recognized in earnings which generally represents the difference between the amortized cost of the security and the present value of our best estimate of cash flows expected to be collected, discounted using the effective interest rate implicit in the security at the date of acquisition and limited by the difference between amortized cost and fair value of the security. For fixed maturity securities for which we have recognized an allowance for credit loss through earnings, if through subsequent evaluation there is a significant increase in expected cash flows, the allowance is reduced and is recognized as a reduction to credit losses in the current period. See Notes 2 and 3.



*Unum Group and Subsidiaries*

**Note 1 - Significant Accounting Policies - Continued**

**Mortgage Loans:** Mortgage loans are generally held for investment and are carried at amortized cost less an allowance for expected credit losses. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Prepayment penalties are recognized as investment income when received. 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.

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

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

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

We utilize various scenarios to estimate our allowance for expected losses ranging from a base case scenario that reflects normal market conditions to a severe case scenario that reflects adverse market conditions. We will adjust our allowance each period to utilize the scenario or weighting of the scenarios that best reflects our view of current market conditions. Additions and reductions to our allowance for credit losses on mortgage loans are reported as a component of net realized investment gains and losses. See Note 3.

**Policy Loans:** Policy loans are presented at unpaid balances directly related to policyholders. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Included in policy loans are \$3,390.6 million and \$3,490.6 million of policy loans ceded to reinsurers at December 31, 2020 and 2019, respectively.

**Other Long-term Investments:** Other long-term investments are comprised primarily of tax credit partnerships, private equity partnerships, and real estate.

Tax credit partnerships in which we have invested were formed for the purpose of investing in the construction and rehabilitation of low-income housing. Because the partnerships are structured such that there is no return of principal, the primary sources of investment return from our tax credit partnerships are tax credits and tax benefits derived from passive losses on the investments, both of which may exhibit variability over the life of the investment. These partnerships are accounted for using either the proportional or the effective yield method, depending primarily on whether the tax credits are guaranteed through a letter of

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies - Continued**

credit, a tax indemnity agreement, or another similar arrangement. Tax credits received from these partnerships are reported in our consolidated statements of income as either a reduction of premium tax or a reduction of income tax. The amortization of the principal amount invested in these partnerships is reported as a component of either premium tax or income tax.

Our investments in private equity partnerships are passive in nature and represent funds that are primarily invested in private credit, private equity, and real assets. We account for our investments in these partnerships using either the equity method or at fair value through net income depending on the level of ownership and the degree of our influence over partnership operating and financial policies. For investments in partnerships accounted for under the equity method, we report our investments at our share of the partnership's net asset value (NAV) and record our portion of partnership earnings as a component of net investment income. For investments in partnerships accounted for at fair value through net income, we also report our investments at our share of the partnership's NAV as a practical expedient for fair value with increases or decreases recorded as a component of net investment income. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments and there is generally not a public market for these investments.

Investment real estate is primarily comprised of property held for the production of income and property held for sale. Property held for the production of income is carried at cost less accumulated depreciation and any write-downs to fair value for impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. A review for impairment is made whenever events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the carrying value of the property exceeds the expected undiscounted cash flows generated from the property, at which point the carrying value is written down to an estimated fair value. Real estate held for sale is carried at the lower of depreciated cost or fair value less estimated selling costs and is not further depreciated once classified as such.

See Notes 2 and 3 for further discussion of our other long-term investments.

**Short-term Investments:** Short-term investments are carried at cost. Short-term investments include investments maturing within one year of purchase, such as corporate commercial paper and U.S. Treasury bills, bank term deposits, and other cash accounts and cash equivalents earning interest.

**Cash and Bank Deposits:** Cash and bank deposits include cash on hand and non-interest bearing cash and deposit accounts.

**Derivative Financial Instruments:** Derivative financial instruments (including certain derivative instruments embedded in other contracts) are recognized as either other long-term investments or other liabilities in our consolidated balance sheets and are reported at fair value. The accounting for a derivative depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. To qualify for hedge accounting, at the inception of the hedging transaction, we formally document the risk management objective and strategy for undertaking the hedging transaction, as well as the designation of the hedge as either a fair value hedge or a cash flow hedge. Included in this documentation is how the hedging instrument is expected to hedge the designated risk(s) related to specific assets or liabilities on the balance sheet or to specific forecasted transactions as well as a description of the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness.

A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk(s) of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship, using qualitative and quantitative methods. Qualitative methods include comparison of critical terms of the derivative to the hedged item. Quantitative methods include regression or other statistical analysis of changes in fair value or cash flows associated with the hedge relationship.

Changes in the fair value of a derivative designated as a fair value hedge and changes in the fair value of the hedged item attributable to the risk being hedged are recognized in earnings as a component of net realized investment gain or loss during the period of change in fair value. For gains or losses on the derivative instrument that are excluded from the assessment of hedge effectiveness, those gains and losses are recognized in other comprehensive income or loss and amortized into earnings in the same income statement line as the related hedged item. The gain or loss on the termination of a fair value hedge is recognized in earnings as a component of net realized investment gain or loss during the period in which the termination occurs. When interest rate swaps are used in hedge accounting relationships, periodic settlements are recorded in the same income statement line as the related settlements of the hedged items.

*Unum Group and Subsidiaries*

**Note 1 - Significant Accounting Policies - Continued**

Changes in the fair value of a derivative designated as a cash flow hedge are reported in other comprehensive income and reclassified into earnings and reported on the same income statement line item as the hedged item and in the same period or periods during which the hedged item affects earnings. The gain or loss on the termination of an effective cash flow hedge is reported in other comprehensive income and reclassified into earnings and reported on the same income statement line item as the hedged item and in the same period or periods during which the hedged item affects earnings.

Gains or losses on the termination of ineffective fair value or cash flow hedges are reported in earnings as a component of net realized investment gain or loss. In the event a hedged item is disposed of or the anticipated transaction being hedged is no longer likely to occur, we will terminate the related derivative and recognize the gain or loss on termination in current earnings as a component of net realized investment gain or loss. In the event a hedged item is disposed of subsequent to the termination of the hedging transaction, we reclassify any remaining gain or loss on the hedge out of accumulated other comprehensive income into earnings as a component of the same income statement line item wherein we report the gain or loss on disposition of the hedged item.

For a derivative not designated as a hedging instrument, changes in the fair value of the derivative, together with the payment of periodic fees, if applicable, are recognized in earnings as a component of net realized investment gain or loss during the period of change in fair value.

Cash flow activity from the settlement of derivative contracts is reported in the consolidated statements of cash flows as a component of proceeds from sales and maturities of other investments.

In our consolidated balance sheets, we do not offset fair value amounts recognized for derivatives executed with the same counterparty under a master netting agreement and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from those master netting agreements. See Notes 2, 3, and 4.

**Fair Value Measurement:** Certain assets and liabilities are reported at fair value in our consolidated balance sheets and in our notes to our consolidated financial statements. We define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, fair value represents an exit price, not an entry price. The exit price objective applies regardless of our intent and/or ability to sell the asset or transfer the liability at the measurement date. Assets or liabilities with readily available actively 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. When actively quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If observable inputs are not available, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine fair value. We categorize our assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significance of the inputs. The fair value hierarchy gives the highest priority to inputs which are unadjusted and represent quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). See Note 2.

**Realized Investment Gains and Losses:** Realized investment gains and losses are reported as a component of revenue in the consolidated statements of income and are based upon specific identification of the investments sold. See Note 3.

**Allowance for Credit Losses on Premiums Receivable:** We establish an allowance for credit losses on premiums receivable, which is deducted from the gross amount of our receivable balance, to present the net amount we expect to collect on this asset. The allowance is forward-looking in nature and is calculated based on considerations regarding both historical events and future expectations. Periodic changes in the allowance are recorded through earnings.

The allowance on our premiums receivable is primarily determined using an aging analysis as well as historical lapse and delinquency rates by line of business, adjusted for key factors that may impact our future expectation of premium receipts such as changes in customer demographics, business practices, economic conditions, and product offerings. We write off premiums receivable amounts when determined to be uncollectible, which is based on various factors, including the aging of premiums receivable past the due date and specific communication with customers. At January 1, 2020 and December 31, 2020, the allowance for expected credit losses on premium receivables was \$23.8 million and \$38.8 million, respectively, on gross premium receivables of \$543.0 million and \$525.8 million, respectively. The allowance at January 1, 2020 includes amounts

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies - Continued**

that were previously established at December 31, 2019. The allowance increased \$15.0 million during the year ended December 31, 2020, primarily due to the uncertainty of collectability resulting from the impacts of COVID-19, partially offset by premium due write-offs and a decrease in the premium due balance. The primary factors considered in establishing the additional allowance were the recent increase in unemployment levels and the general uncertainty around the financial condition of some of our customers.

**Deferred Acquisition Costs:** Incremental direct costs associated with the successful acquisition of new or renewal insurance contracts have been deferred. Such costs include commissions, other agency compensation, certain selection and policy issue expenses, and certain field expenses. Acquisition costs that do not vary with the production of new business, such as commissions on group products which are generally level throughout the life of the policy, are excluded from deferral. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and loss recognition testing in subsequent years.

Deferred acquisition costs related to non-interest sensitive policies are amortized in proportion to the premium income we expect to receive over the lives of the policies. Deferred acquisition costs related to interest sensitive policies are amortized over the lives of the policies in relation to the present value of estimated gross profits from surrender charges, mortality margins, investment returns, and expense margins. Deviations from projections result in a change to the rate of amortization in the period during which such events occur. Generally, the amortization periods for these policies approximate the estimated lives of the policies.

For certain products, policyholders can elect to modify product benefits, features, rights, or coverages by exchanging a contract for a new contract or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. These transactions are known as internal replacement transactions. Internal replacement transactions wherein the modification does not substantially change the policy are accounted for as continuations of the replaced contracts. Unamortized deferred acquisition costs from the original policy continue to be amortized over the expected life of the new policy, and the costs of replacing the policy are accounted for as policy maintenance costs and expensed as incurred. Internal replacement transactions, principally on group contracts, that result in a policy that is substantially changed are accounted for as an extinguishment of the original policy and the issuance of a new policy. Unamortized deferred acquisition costs on the original policy that was replaced are immediately expensed, and the costs of acquiring the new policy are capitalized and amortized in accordance with our accounting policies for deferred acquisition costs.

Loss recognition testing is performed on an annual basis, or more frequently if appropriate, using best estimate assumptions as to future experience as of the date of the test. Insurance contracts are grouped for each major product line within a segment when we perform the loss recognition tests. If loss recognition testing indicates that deferred acquisition costs are not recoverable, the deficiency is charged to expense.

**Goodwill:** Goodwill is the excess of the amount paid to acquire a business over the fair value of the net assets acquired. We review the carrying amount of goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount might not be recoverable. Goodwill impairment testing compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit to which the goodwill relates is less than the carrying amount of the reporting unit, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the reporting unit in an amount not to exceed the total amount of goodwill allocated to the reporting unit.

**Property and Equipment:** Property and equipment is reported at cost less accumulated depreciation, which is calculated on the straight-line method over the estimated useful life. The accumulated depreciation for property and equipment was \$1,239.9 million and \$1,195.3 million as of December 31, 2020 and 2019, respectively.

**Value of Business Acquired:** Value of business acquired represents the present value of future profits recorded in connection with the acquisition of a block of insurance policies. The asset is amortized based upon expected future premium income for non-interest sensitive insurance policies and estimated future gross profits from surrender charges, mortality margins, investment returns, and expense margins for interest sensitive insurance policies. The value of business acquired, which is included in other assets in our consolidated balance sheets, was \$83.8 million and \$88.7 million at December 31, 2020 and 2019, respectively. The accumulated amortization for value of business acquired was \$153.7 million and \$144.1 million as of December 31, 2020 and 2019, respectively.

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies - Continued**

The amortization of value of business acquired, which is included in other expenses in the consolidated statements of income, was \$6.1 million, \$7.1 million, and \$6.4 million for the years ended December 31, 2020, 2019, and 2018, respectively. We periodically review the carrying amount of value of business acquired using the same methods used to evaluate deferred acquisition costs.

**Policy and Contract Benefits:** Policy and contract benefits represent amounts paid and expected to be paid based on reported losses and estimates of incurred but not reported losses for non-interest sensitive life and accident and health products. For interest sensitive products, benefits are the amounts paid and expected to be paid on insured claims in excess of the policyholders' policy fund balances.

**Reserves for Policy and Contract Benefits:** Policy reserves represent future policy and contract benefits for claims not yet incurred. Policy reserves for non-interest sensitive life and accident and health products are determined using the net level premium method. The reserves are calculated based upon assumptions as to interest, persistency, morbidity, and mortality that were appropriate at the date of issue. Discount rate assumptions are based on actual and expected net investment returns. Persistency assumptions are based on our actual historical experience adjusted for future expectations. Claim incidence and claim resolution rate assumptions related to morbidity and mortality are based on actual experience or industry standards adjusted as appropriate to reflect our actual experience and future expectations. The assumptions vary by plan, year of issue, and policy duration and include a provision for adverse deviation.

Policy reserves for group single premium annuities are developed on a net single premium method. The reserves are calculated based on assumptions as to interest, mortality, and retirement that were appropriate at the date of issue. Mortality assumptions are based upon industry standards adjusted as appropriate to reflect our actual experience and future expectations. The assumptions vary by year of issue.

Policy reserves for interest sensitive products are principally policyholder account values.

Policy reserves require ongoing loss recognition testing. We perform loss recognition tests on our policy reserves annually, or more frequently if appropriate, using best estimate assumptions as of the date of the test, without a provision for adverse deviation. We group the policy reserves for each major product line within a segment when we perform the loss recognition tests. If the policy reserves determined using these best estimate assumptions are higher than our existing policy reserves net of any deferred acquisition cost balance, the existing policy reserves are increased or deferred acquisition costs are reduced to immediately recognize the deficiency. This becomes the new basis for policy reserves going forward, subject to future loss recognition testing.

Claim reserves represent future policy and contract benefits for claims that have been incurred or are estimated to have been incurred but not yet reported to us. Our claim reserves relate primarily to disability and long-term care policies and are calculated based on assumptions as to interest and claim resolution rates that are currently appropriate. Claim resolution rate assumptions are based on our actual experience. The interest rate assumptions used for discounting claim reserves are based on projected portfolio yield rates, after consideration for defaults and investment expenses, for the assets supporting the liabilities for the various product lines. Unlike policy reserves for which assumptions are generally established and locked in at the time of policy issuance, claim reserves are subject to revision as current claim experience and projections of future factors affecting claim experience change. Claim reserves do not include a provision for adverse deviation. See Note 6.

**Policyholders Funds:** Policyholders' funds represent customer deposits plus interest credited at contract rates. We control interest rate risk by investing in quality assets which have an aggregate duration that closely matches the expected duration of the liabilities.

**Income Tax:** Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Deferred taxes have been measured using enacted statutory income tax rates and laws that are currently in effect. We record adjustments to our deferred taxes resulting from tax rate changes through income as of the date of enactment. We record deferred tax assets for tax positions taken in the U.S. and other tax jurisdictions based on our assessment of whether a position is more likely than not to be sustained upon examination based solely on its technical merits. A valuation allowance is established for deferred tax assets when it is more

*Unum Group and Subsidiaries*

**Note 1 - Significant Accounting Policies - Continued**

likely than not that an amount will not be realized. We follow an aggregate portfolio approach to release disproportionate tax effects from accumulated other comprehensive income upon disposal of an entire business segment's portfolio. See Note 7.

**Short-term and Long-term Debt:** Debt is generally carried at the unpaid principal balance, net of unamortized discount or premium and deferred debt issuance costs. Short-term debt consists of debt due within the next twelve months, including that portion of debt otherwise classified as long-term. The amortization of the original issue discount or premium as well as deferred debt issuance costs are recognized as a component of interest expense over the period the debt is expected to be outstanding. The carrying amount of long-term debt that is part of a fair value hedge program includes an adjustment to reflect the effect of the change in fair value attributable to the risk being hedged. Net interest settlements for fair value hedges on our long-term debt are recognized as a component of interest expense. See Note 8.

**Right-of-Use Asset (ROU) and Lease Liability:** ROU assets represent our right to use an underlying asset for a specified lease term and are included in other assets in our consolidated balance sheet. Lease liabilities represent the present value of lease payments that we are obligated to pay arising from a lease and are included in other liabilities in our consolidated balance sheet.

We determine if an arrangement is a lease at inception through a formal process that evaluates our right to control the use of an identified asset for a period of time in exchange for consideration. We account for the lease and non-lease components of our building leases separately and have elected to use the available practical expedient to account for the lease and non-lease components of our equipment leases as a single component. All of our leases are classified as operating. For each operating lease, we calculate a lease liability at commencement date based on the present value of lease payments over the lease term and a corresponding ROU asset, adjusted for lease incentives. We do not recognize right-of-use assets and lease liabilities that arise from short-term leases for any class of underlying asset.

We consider the likelihood of renewal in determining the lease terms for the calculation of the ROU asset and lease liability. As most of our leases do not provide an implicit rate of interest, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate of interest when readily determinable.

Operating lease cost is calculated on a straight-line basis over the lease term and is included in other expenses in our consolidated statements of income. We amortize the ROU asset over the lease term on a pattern determined by the difference between the straight-line lease liability expense and the accretion of the imputed interest calculated on the lease liability. See Note 15.

**Treasury Stock and Retirement of Common Stock:** Treasury stock is reflected as a reduction of stockholders' equity at cost. When shares are retired, the par value is removed from common stock, and the excess of the repurchase price over par is allocated between additional paid-in capital and retained earnings. See Note 10.

**Revenue Recognition:** Our non-interest sensitive life and accident and health products are long-duration contracts, and premium income is recognized as revenue when due from policyholders. If the contracts are experience rated, the estimated ultimate premium is recognized as revenue over the period of the contract. The estimated ultimate premium, which is revised to reflect current experience, is based on estimated claim costs, expenses, and profit margins.

For interest sensitive products, the amounts collected from policyholders are considered deposits, and only the deductions during the period for cost of insurance, policy administration, and surrenders are included in revenue. Policyholders' funds represent funds deposited by contract holders and are not included in revenue.

Fees from our leave management services and administrative-services only (ASO) business are reported as other income when services are rendered.

**Reinsurance:** We routinely enter into reinsurance agreements with other insurance companies to spread risk and thereby limit losses from large exposures. For each of our reinsurance agreements, we determine if the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. If we determine that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, we record the agreement using the deposit method of accounting.

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies - Continued**

Reinsurance activity is accounted for on a basis consistent with the terms of the reinsurance contracts and the accounting used for the original policies issued. Premium income and benefits and change in reserves for future benefits are presented in our consolidated statements of income net of reinsurance ceded. Ceded liabilities for policy and contract benefits, future policy and contract benefits, and unearned premiums are reported on a gross basis in our consolidated balance sheets, as are ceded policy loans. Our reinsurance recoverable includes the balances due from reinsurers under the terms of the reinsurance agreements for these ceded balances as well as settlement amounts currently due.

Where applicable, gains or costs recognized on reinsurance transactions are generally deferred and amortized into earnings based upon expected future premium income for non-interest sensitive insurance policies and estimated future gross profits for interest sensitive insurance policies. Gains or costs recognized on reinsurance transactions for non-interest sensitive products for which we no longer receive premiums are generally deferred and amortized into earnings based upon expected claim reserve patterns. The cost of reinsurance included in other assets in our consolidated balance sheet at December 31, 2020 was \$813.0 million. The deferred gain on reinsurance included in other liabilities in our consolidated balance sheets at December 31, 2020 and December 31, 2019 was \$5.6 million and \$8.5 million, respectively.

Under ceded reinsurance agreements wherein we are not relieved of our legal liability to our policyholders, if the assuming reinsurer is unable to meet its obligations, we remain contingently liable. We evaluate the financial condition of reinsurers and monitor concentration of credit risk to minimize this exposure. We may also require assets in trust, letters of credit, or other acceptable collateral to support our reinsurance recoverable balances. We estimate an allowance for expected credit losses for our reinsurance recoverable balance using a probability of default approach which incorporates key inputs and assumptions regarding historical insurer liquidation rates, counterparty credit ratings, and collateral received. Liquidation rates are derived from rating agency studies covering domestic insurers and are based on historical liquidation trends according to their respective credit ratings. When calculating our allowance, we apply these liquidation rates to the net amount of our credit exposure, which considers collateral arrangements such as letters of credit and trust accounts. We evaluate the factors used to determine our allowance on a quarterly basis to consider material changes in our assumptions and make adjustments accordingly. At January 1, 2020 and December 31, 2020, the allowance for expected credit losses on reinsurance recoverables was \$1.8 million and \$11.7 million, respectively. The allowance increased \$9.9 million during the year ended December 31, 2020, primarily due to an increase in the reinsurance recoverable balance, changes in certain counterparty credit ratings, and changes in our assumptions about the recoverability of receivables from certain counterparties. See Note 12.

**Premium Tax Expense:** Premium tax expense is included in other expenses in the consolidated statements of income. For the years ended December 31, 2020, 2019, and 2018, premium tax expense was \$175.5 million, \$170.1 million, and \$155.8 million, respectively.

**Stock-Based Compensation:** The cost of stock-based compensation is generally measured based on the grant-date fair value of the award. The Black-Scholes options valuation model is used for estimating the fair value of stock options, and the Monte-Carlo valuation model is used for estimating the fair value of performance units. Restricted stock units and stock success units are valued based on the fair value of common stock at the grant date. Stock-based awards are expensed over the requisite service period, or for performance units over the requisite service period, or remaining service period, if and when it becomes probable that the performance conditions will be satisfied, with an offsetting increase to additional paid-in capital in stockholders' equity. Forfeitures of stock-based awards are recognized as they occur. See Note 11.

**Earnings Per Share:** We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding for the period. Earnings per share assuming dilution is computed by dividing net income by the weighted average number of shares outstanding for the period plus the shares representing the dilutive effect of stock-based awards. In computing earnings per share assuming dilution, only potential common shares resulting from stock-based awards that are dilutive (those that reduce earnings per share) are included. We use the treasury stock method to account for the effect of outstanding stock options and nonvested stock awards on the computation of earnings per share assuming dilution. See Note 10.

**Translation of Foreign Currency:** Revenues and expenses of our foreign operations are translated at average exchange rates. Assets and liabilities are translated at the rate of exchange on the balance sheet dates. The translation gain or loss is generally reported in accumulated other comprehensive income, net of income tax. We do not provide for deferred taxes to the extent unremitted foreign earnings are deemed permanently invested.

**Note 1 - Significant Accounting Policies - Continued**

**Accounting for Participating Individual Life Insurance:** Participating policies issued by one of our subsidiaries prior to its 1986 conversion from a mutual to a stock life insurance company will remain participating as long as the policies remain in-force. A Participation Fund Account (PFA) was established for the benefit of all such individual participating life and annuity policies and contracts. The assets of the PFA provide for the benefit, dividend, and certain expense obligations of the participating individual life insurance policies and annuity contracts. The assets of the PFA were \$319.8 million and \$311.2 million at December 31, 2020 and 2019, respectively.



Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

Accounting Updates Adopted in 2020:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 350 "Intangibles - Goodwill and Other"	This update eliminated the requirement to calculate the implied fair value of goodwill (the second step in the current two-step test) to measure a goodwill impairment charge. Instead, entities should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the excess of the carrying amount over the fair value, with the loss not to exceed the total amount of goodwill allocated to that reporting unit. This guidance was applied in the period of adoption.	January 1, 2020	The adoption of this update did not have an effect on our financial position or results of operations.
ASC 820 "Fair Value Measurement"	This update amended the fair value measurement guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removed certain disclosures related to Level 1 and Level 2 transfers and removed the discussion regarding valuation processes of Level 3 fair value measurements. The update modified guidance related to investments in certain entities that calculate net asset value to explicitly require disclosure regarding timing of liquidation of the investee's assets and timing of redemption restrictions. The update added disclosures around the changes in unrealized gains and losses in other comprehensive income for recurring Level 3 investments held at the end of the reporting period and adds disclosures regarding certain unobservable inputs on Level 3 fair value measurements. The guidance was applied both retrospectively and prospectively, depending on the specific requirement of the update.	December 31, 2018 for the removal and modification of certain disclosures and January 1, 2020 for the addition of certain disclosures.	The adoption of this update modified our disclosures but did not have an impact on our financial position or results of operations.
ASC 715 "Compensation - Retirement Benefits"	This update amends the defined benefit pension and other postretirement benefit guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removes the requirement to disclose the effects of a one-percentage point change in the assumed healthcare cost trend and the requirement to disclose amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost of the next year. This update adds a requirement to describe the reasons for significant gains and losses related to changes in the benefit obligation for the period. The update also clarifies that the projected benefit obligation (PBO) and accumulated benefit obligation (ABO) and fair value of plan assets are to be disclosed for plans with PBOs or ABOs in excess of plan assets. The guidance is to be applied retrospectively and early adoption is permitted.	December 31, 2020	The adoption of this update modified our disclosures but did not have an impact on our financial position or results of operations.

Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 326 "Financial Instruments - Credit Losses"	This update amended the guidance on the impairment of financial instruments. The update added an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modified the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognized as an allowance rather than as a reduction in the amortized cost of the security. The reversal of previously recognized credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures are also required, including information used to develop the allowance for losses. The guidance was applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. For available-for-sale fixed maturity securities, the update was applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed. This guidance was applied in the period of adoption.	January 1, 2020	See the summary table below for the financial statement impacts of this adoption on our financial statement line items at January 1, 2020. In addition, see Note 3 of the "Notes to Consolidated Financial Statements" contained herein in this Item 1 for the additional disclosures required by the update.

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

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

Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

Accounting Updates Adopted in 2019:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 220 "Income Statement - Reporting Comprehensive Income"	This update allowed entities to make an accounting policy election to reclassify the disproportionate tax effects arising as a result of the recognition of the enactment of the tax bill, H.R.1, An Act to Provide Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, more commonly known as TCJA, from accumulated other comprehensive income to retained earnings. Tax effects that are disproportionate in accumulated other comprehensive income for reasons other than the TCJA may not be reclassified. This update required additional disclosures on whether an entity elects to reclassify the disproportionate tax effects and its policy for releasing tax effects from accumulated other comprehensive income.	January 1, 2019	The adoption of this update expanded certain of our disclosures but had no impact on our financial position or results of operations because we did not make the optional accounting policy election to reclassify the disproportionate tax effects resulting from the TCJA from accumulated other comprehensive income to retained earnings.
ASC 310 "Receivables - Nonrefundable Fees and Other Costs"	This update shortened the amortization period to the earliest call date for certain callable debt securities held at a premium. This update did not impact securities held at a discount.	January 1, 2019	The adoption of this update did not have a material impact on our financial position or results of operations.
ASC 718 "Compensation - Stock Compensation"	This update generally aligned the accounting guidance for share-based payments issued to non-employees with guidance for share-based payments issued to employees. Specifically, the update required non-employee share-based payments to be measured using the grant date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered rather than being remeasured through the performance completion date. Additionally, for non-employee share-based payments that contain performance conditions, the update changed the criteria regarding the recognition of compensation cost to when achievement of a performance condition is probable rather than upon actual achievement of the performance condition.	January 1, 2019	The adoption of this update did not have an impact on our financial position or results of operations.
ASC 842 "Leases"	This update changed 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 remained similar to previous accounting requirements for capital and operating leases. For lessors, the guidance modified the classification criteria and the accounting for sales-type and direct financing leases. The guidance was applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption. In addition, the package of practical expedients available to leases that commenced prior to the date of adoption was applied.	January 1, 2019	The adoption of this update resulted in the recognition of a lease liability of \$122.0 million, with a corresponding right-of-use asset of \$117.7 million, less an immaterial cumulative-effect decrease to retained earnings of \$3.4 million related to our operating leases. There were also immaterial impacts to deferred income tax and income tax payable. This update did not have an impact on our results of operations, but it expanded our disclosures.

Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

Accounting Updates Adopted in 2018:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 230 "Statement of Cash Flows"	This update provided 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 addressed eight specific cash flow issues that relate to various types of transactions. The guidance was applied retrospectively.	January 1, 2018	The adoption of this update resulted in the reclassification of certain cash inflows between investing activities and operating activities within our consolidated statements of cash flows. The reclassification primarily related to cash distributions from equity method investees and the bifurcation of those distributions as either returns on investment or returns of investment which resulted in a reclassification of cash inflows from investing activities to operating activities. The remaining portion of the reclassification related to the receipt of proceeds from corporate-owned life insurance benefits which resulted in a reclassification of cash inflows from operating activities to investing activities. The adoption of this update had no effect on our financial position or results of operations.
ASC 606 "Revenue from Contracts with Customers"	These updates superseded virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the scope of these updates are insurance contracts, although our fee-based service products are included within the scope. Our fee-based service products, which are primarily sold in our Unum US segment, are reported in other income within our consolidated statements of income and represent less than one percent of our total revenue. 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. Accordingly, we continue to recognize revenue for these fee-based service products as services are rendered.	January 1, 2018	The adoption of these updates did not have an impact on our financial position or results of operations and did not result in expanded disclosures due to the immaterial nature of our fee-based service products relative to our overall business.

Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 715 "Compensation - Retirement Benefits"	This update required the service cost component of net periodic pension and postretirement benefit costs to be included as a component of compensation costs in an entity's statement of income. Other components of net periodic pension and postretirement benefit costs are required to be presented separately from the service cost along with a disclosure identifying the line items in which these costs are presented in the statement of income. The amendments in this update were applied retrospectively or prospectively depending on the specific requirement of the update.	January 1, 2018	The adoption of this update resulted in the reclassification of service cost from the other expenses line item to the compensation expense line item on our consolidated statements of income but had no effect on our financial position or results of operations. We elected to use the practical expedient for the retrospective application of this update.
ASC 740 "Income Taxes"	This update eliminated the exception that required the tax effect of intra-entity asset transfers other than inventory to be deferred until the transferred asset is sold to a third party or otherwise recovered through use. It required recognition of tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation.	January 1, 2018	The adoption of this update did not have an impact on our financial position or results of operations.
ASC 815 "Derivatives and Hedge Accounting"	This update provided targeted improvements to accounting for hedging activities for both nonfinancial and financial risk components, aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements, eases certain documentation and effectiveness assessment requirements, and enhances transparency through expanded disclosures. The amended presentation and disclosure guidance was adopted prospectively. Early adoption was permitted.	January 1, 2018	We elected to early adopt this update. The adoption of this update did not have an impact on our financial position or results of operations; however, it expanded our disclosures. This update also simplified hedge documentation requirements and expanded available hedging strategies.
ASC 825 "Financial Instruments - Overall"	This update changed 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 clarified 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 included 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 was applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year of adoption.	January 1, 2018	The adoption of this update resulted in a cumulative-effect reduction to accumulated other comprehensive income of \$17.5 million with a corresponding increase to retained earnings of \$14.5 million, a decrease to other long-term investments of \$3.8 million, and a decrease to deferred income tax liability of \$0.8 million.

Unum Group and Subsidiaries

Note 1 - Significant Accounting Policies - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 740 "Income Taxes"	The amendments in this update simplify the accounting for income taxes by removing certain exceptions in the guidance related to the following: 1. losses in continuing operations when there is income in other items, 2. foreign subsidiaries becoming equity method investments and vice versa, and 3. year-to-date interim period losses exceeding anticipated loss for the year. The amendments also simplify the accounting for income taxes related to the following: 1. franchise taxes partially based on income, 2. step up in the tax basis of goodwill, 3. allocation of tax expense to entities not subject to tax, 4. enacted changes in tax law or rates in interim periods, and 5. employee stock ownership programs and investments in qualified affordable housing projects accounted for using the equity method.	January 1, 2021	The adoption of this update will not have a material effect on our financial position or results of operations.
ASC 848 "Reference Rate Reform"	The amendments in this update provide optional guidance, for a limited period of time, to ease the potential burden in accounting for and recognizing the effects of reference rate reform on financial reporting. The guidance allows for various practical expedients and exceptions when applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. Specifically, the guidance provides certain practical expedients for contract modifications, fair value hedges, and cash flow hedges and also provides certain exceptions related to changes in the critical terms of a hedging relationship. The guidance also allows for a one-time election to sell or transfer debt securities that were both classified as held-to-maturity prior to January 1, 2020 and reference a rate affected by the reform.	Adoption is permitted as of the beginning of the interim period that includes March 12, 2020 (the issuance date of the update), or any date thereafter, through December 31, 2022, at which point the guidance will sunset.	We have not yet determined the impact on our financial position or results of operations if we elect to adopt this guidance.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 1 - Significant Accounting Policies - Continued**

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	<p>This update significantly amends the accounting and disclosure requirements for long-duration insurance contracts. These changes include a requirement to review, and if necessary, update cash flow assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts at least annually, with changes recognized in earnings. In addition, an entity will be required to update the discount rate assumption at each reporting date using a yield that is reflective of an upper-medium grade fixed-income instrument, with changes recognized in other comprehensive income. These changes result in the elimination of the provision for risk of adverse deviation and premium deficiency (or loss recognition) testing. The update also requires that an entity measure all market risk benefits associated with deposit contracts at fair value, with changes recognized in earnings except for the portion attributable to a change in the instrument-specific credit risk, which is to be recognized in other comprehensive income. This update also simplifies the amortization of deferred acquisition costs by requiring amortization on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are no longer subject to an impairment test. Significant additional disclosures will also be required, which include disaggregated rollforwards of certain liability balances and the disclosure of qualitative and quantitative information about expected cash flows, estimates, and assumptions. The application of this guidance will vary based upon the specific requirements of the update but will generally result in either a modified retrospective or full retrospective approach with changes applied as of the beginning of the earliest period presented. Early adoption is permitted.</p>	January 1, 2023	We are currently evaluating the impact of the update and expect that the adoption may have a material impact on our financial position and results of operations. The update will also significantly expand our disclosures.

***Unum Group and Subsidiaries***

**Note 2 - Fair Values of Financial Instruments**

***Fair Value Measurements for Financial Instruments Carried at Fair Value***

We report fixed maturity securities, which are classified as available-for-sale securities, derivative financial instruments, and unrestricted equity securities at fair value in our consolidated balance sheets. We report our investments in private equity partnerships at our share of the partnerships' net asset value per share or its equivalent (NAV) as a practical expedient for fair value. See Note 1.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. An active market for a financial instrument is a market in which transactions for an asset or a similar asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and should be used to measure fair value whenever available. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions.

We classify financial instruments in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs:

- Level 1 - the highest category of the fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 - the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

***Valuation Methodologies of Financial Instruments Measured at Fair Value***

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

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

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our



Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether it is a bid or market quote. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2020, we have applied valuation approaches and techniques on a consistent basis to similar assets and liabilities and consistent with those approaches and techniques used at year end 2019.

Fixed Maturity and Equity Securities

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

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
<b>United States Government and Government Agencies and Authorities</b>		
Valuation Method	Principally the market approach	Not applicable
Valuation Techniques / Inputs	Prices obtained from external pricing services	
<b>States, Municipalities, and Political Subdivisions</b>		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / 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
<b>Foreign Governments</b>		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Non-binding broker quotes Call provisions	Analysis of similar bonds, adjusted for comparability
<b>Public Utilities</b>		
Valuation Method	Principally the market and income approaches	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Change in benchmark reference

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

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

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
<b>All Other Corporate Bonds - Continued</b>		
	Public covenants	
	Comparative bond analysis	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
<b>Redeemable Preferred Stocks</b>		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Non-binding broker quotes	Financial statement analysis
	Benchmark yields	
	Comparative bond analysis	
	Call provisions	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
<b>Perpetual Preferred and Equity Securities</b>		
Valuation Method	Principally the market approach	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Financial statement analysis
	Non-binding broker quotes	

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

Certain of our investments do not have readily determinable market prices and/or observable inputs or may at times be affected by the lack of market liquidity. For these securities, we use internally prepared valuations, including valuations based on estimates of future profitability, to estimate the fair value. Additionally, we may obtain prices from independent third-party brokers to aid in establishing valuations for certain of these securities. Key assumptions used by us to determine fair value for

***Unum Group and Subsidiaries***

**Note 2 - Fair Values of Financial Instruments - Continued**

these securities include risk free interest rates, risk premiums, performance of underlying collateral (if any), and other factors involving significant assumptions which may or may not reflect those of an active market.

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

At December 31, 2020, approximately 9.6 percent of our fixed maturity securities were valued using active trades from TRACE pricing or broker market maker prices for which there was current market activity in that specific security (comparable to receiving one binding quote). The prices obtained were not adjusted, and the assets were classified as Level 1.

The remaining 90.4 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below:

- 74.9 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.
- 10.4 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, if validated by observable market data. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.
- 5.1 percent of our fixed maturity securities were valued based on prices of comparable securities, internal models, or pricing services or other non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data.

***Derivatives***

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

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

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

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

Private Equity Partnerships

Our private equity partnerships represent funds that are primarily invested in private credit, private equity, and real assets, as described below. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. There is generally not a public market for these investments.

The following tables present additional information about our private equity partnerships, including commitments for additional investments which may or may not be funded:

Investment Category	December 31, 2020		
	Fair Value (in millions of dollars)	Redemption Term / Redemption Notice	Unfunded Commitments (in millions of dollars)
Private Credit (a)	\$ 233.3	Not redeemable	\$ 178.9
	40.4	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	1.3
Total Private Credit	273.7		180.2
Private Equity (b)	232.6	Not redeemable	191.0
	9.2	Initial 5.5 year lock on each new investment / Quarterly after 5.5 year lock with 90 days notice	34.3
Total Private Equity	241.8		225.3
Real Assets (c)	176.3	Not redeemable	185.2
	55.7	Quarterly / 90 days notice	—
Total Real Assets	232.0		185.2
<b>Total Partnerships</b>	<b>\$ 747.5</b>		<b>\$ 590.7</b>

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

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

- (a) **Private Credit** - The limited partnerships described in this category employ various investment strategies, generally providing direct lending or other forms of debt financing including first-lien, second-lien, mezzanine, and subordinated loans. The limited partnerships have credit exposure to corporates, physical assets, and/or financial assets within a variety of industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail) in North America and, to a lesser extent, outside of North America. As of December 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 37 percent in the next 3 years, 38 percent during the period from 3 to 5 years, 22 percent during the period from 5 to 10 years, and 3 percent during the period from 10 to 15 years.
- (b) **Private Equity** - The limited partnerships described in this category employ various strategies generally investing in controlling or minority control equity positions directly in companies and/or assets across various industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail), primarily in private markets within North America and, to a lesser extent, outside of North America. As of December 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 20 percent in the next 3 years, 35 percent during the period from 3 to 5 years, 44 percent during the period from 5 to 10 years, and 1 percent during the period from 10 to 15 years.
- (c) **Real Assets** - The limited partnerships described in this category employ various strategies, which include investing in the equity and/or debt financing of physical assets, including infrastructure (energy, power, water/wastewater, communications), transportation (including airports, ports, toll roads, aircraft, railcars) and real estate in North America, Europe, South America, and Asia. As of December 31, 2020, the estimated remaining life of the investments that do not allow for redemptions is approximately 12 percent in the next 3 years, 23 percent during period from 3 to 5 years, 64 percent during the period from 5 to 10 years, and 1 percent during the period from 10 to 15 years.

We record changes in our share of net asset value of the partnerships in net investment income. We receive financial information related to our investments in partnerships and generally record investment income on a one-quarter lag in accordance with our accounting policy.

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

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

	December 31, 2020				
	Level 1	Level 2	Level 3	NAV	Total
	(in millions of dollars)				
<b>Assets</b>					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$ —	\$ 709.8	\$ —	\$ —	\$ 709.8
States, Municipalities, and Political Subdivisions	—	4,245.7	15.5	—	4,261.2
Foreign Governments	—	1,146.4	21.8	—	1,168.2
Public Utilities	131.9	6,644.7	185.7	—	6,962.3
Mortgage/Asset-Backed Securities	—	1,026.4	81.3	—	1,107.7
All Other Corporate Bonds	4,089.4	24,886.1	943.1	—	29,918.6
Redeemable Preferred Stocks	—	9.5	—	—	9.5
Total Fixed Maturity Securities	4,221.3	38,668.6	1,247.4	—	44,137.3
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	19.7	—	—	19.7
Credit Default Swaps	—	0.1	—	—	0.1
Total Derivatives	—	19.8	—	—	19.8
Perpetual Preferred Equity Securities	8.4	15.2	4.7	—	28.3
Private Equity Partnerships	—	—	—	747.5	747.5
Total Other Long-term Investments	8.4	35.0	4.7	747.5	795.6
Total Financial Instrument Assets Carried at Fair Value	\$ 4,229.7	\$ 38,703.6	\$ 1,252.1	\$ 747.5	\$ 44,932.9
<b>Liabilities</b>					
Other Liabilities					
Derivatives					
Forwards	\$ —	\$ 0.5	\$ —	\$ —	\$ 0.5
Foreign Exchange Contracts	—	59.2	—	—	59.2
Embedded Derivative in Modified Coinsurance Arrangement	—	—	39.8	—	39.8
Total Derivatives	—	59.7	39.8	—	99.5
Total Financial Instrument Liabilities Carried at Fair Value	\$ —	\$ 59.7	\$ 39.8	\$ —	\$ 99.5

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

	December 31, 2019				
	Level 1	Level 2	Level 3	NAV	Total
(in millions of dollars)					
<b>Assets</b>					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$ 412.8	\$ 988.9	\$ —	\$ —	\$ 1,401.7
States, Municipalities, and Political Subdivisions	—	3,321.6	41.8	—	3,363.4
Foreign Governments	—	995.9	21.8	—	1,017.7
Public Utilities	171.1	7,546.5	14.6	—	7,732.2
Mortgage/Asset-Backed Securities	—	1,444.6	34.1	—	1,478.7
All Other Corporate Bonds	4,114.4	27,695.5	600.5	—	32,410.4
Redeemable Preferred Stocks	—	39.6	—	—	39.6
Total Fixed Maturity Securities	4,698.3	42,032.6	712.8	—	47,443.7
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	27.0	—	—	27.0
Credit Default Swaps	—	0.5	—	—	0.5
Total Derivatives	—	27.5	—	—	27.5
Perpetual Preferred Equity Securities	—	28.0	4.6	—	32.6
Private Equity Partnerships	—	—	—	616.7	616.7
Total Other Long-term Investments	—	55.5	4.6	616.7	676.8
Total Financial Instrument Assets Carried at Fair Value	\$ 4,698.3	\$ 42,088.1	\$ 717.4	\$ 616.7	\$ 48,120.5
<b>Liabilities</b>					
Other Liabilities					
Derivatives					
Interest Rate Swaps	\$ —	\$ 0.6	\$ —	\$ —	\$ 0.6
Foreign Exchange Contracts	—	34.0	—	—	34.0
Embedded Derivative in Modified Coinsurance Arrangement	—	—	22.8	—	22.8
Total Derivatives	—	34.6	22.8	—	57.4
Total Financial Instrument Liabilities Carried at Fair Value	\$ —	\$ 34.6	\$ 22.8	\$ —	\$ 57.4



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 2 - 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:

	Year Ended December 31, 2020									
	Fair Value Beginning of Year	Total Realized and Unrealized Investment Gains (Losses) Included in		Purchases	Sales	Level 3 Transfers		Fair Value End of Year	Change in Unrealized Gain (Loss) on Securities Held at the End of Period included in	
		Earnings	OCI <sup>1</sup>			Into	Out of		OCI <sup>1</sup>	Earnings
	(in millions of dollars)									
<b>Fixed Maturity Securities</b>										
States, Municipalities, and Political Subdivisions	\$ 41.8	\$ —	\$ 2.2	\$ —	\$ —	\$ —	\$ (28.5)	\$ 15.5	\$ 1.7	\$ —
Foreign Governments	21.8	—	—	—	—	—	—	21.8	—	—
Public Utilities	14.6	—	3.8	—	—	175.9	(8.6)	185.7	3.7	—
Mortgage/Asset-Backed Securities	34.1	—	(3.0)	—	(67.9)	118.1	—	81.3	(3.5)	—
All Other Corporate Bonds	600.5	—	29.8	194.7	(36.1)	343.1	(188.9)	943.1	26.7	—
<b>Total Fixed Maturity Securities</b>	<b>712.8</b>	<b>—</b>	<b>32.8</b>	<b>194.7</b>	<b>(104.0)</b>	<b>637.1</b>	<b>(226.0)</b>	<b>1,247.4</b>	<b>28.6</b>	<b>—</b>
<b>Perpetual Preferred Equity Securities</b>	<b>4.6</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4.7</b>	<b>—</b>	<b>0.1</b>
Embedded Derivative in Modified Coinsurance Arrangement	(22.8)	(17.0)	—	—	—	—	—	(39.8)	—	(17.0)

<sup>1</sup>Other Comprehensive Income (Loss)

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

	Year Ended December 31, 2019								Fair Value End of Year
	Total Realized and Unrealized Investment Gains (Losses) Included in						Level 3 Transfers		
	Fair Value Beginning of Year	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of		
	(in millions of dollars)								
<b>Fixed Maturity Securities</b>									
States, Municipalities, and Political Subdivisions	\$ —	\$ —	\$ 2.8	\$ 13.3	\$ —	\$ 25.7	\$ —	\$ 41.8	
Foreign Governments	31.4	—	0.6	—	(10.2)	—	—	21.8	
Public Utilities	84.7	—	0.8	—	—	6.0	(76.9)	14.6	
Mortgage/Asset-Backed Securities	—	—	(2.7)	—	—	36.8	—	34.1	
All Other Corporate Bonds	1,495.8	—	(3.1)	93.0	(86.0)	190.6	(1,089.8)	600.5	
Redeemable Preferred Stocks	21.1	—	—	—	—	—	(21.1)	—	
<b>Total Fixed Maturity Securities</b>	<b>1,633.0</b>	<b>—</b>	<b>(1.6)</b>	<b>106.3</b>	<b>(96.2)</b>	<b>259.1</b>	<b>(1,187.8)</b>	<b>712.8</b>	
Perpetual Preferred Equity Securities	4.6	—	—	—	—	—	—	4.6	
Embedded Derivative in Modified Coinsurance Arrangement	(31.1)	8.3	—	—	—	—	—	(22.8)	

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.

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

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

		December 31, 2020		
	Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
(in millions of dollars)				
<b>Fixed Maturity Securities</b>				
All Other Corporate Bonds - Private	\$ 45.7	Market Approach	Volatility of Credit	(b) 0.50% - 24.90% / 3.63%
Perpetual Preferred Equity Securities	4.7	Market Approach	Market Convention	(c) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(39.8)	Discounted Cash Flows	Projected Liability Cash Flows Weighted Spread of Swap Curve	(d) Actuarial Assumptions 1.0%
		December 31, 2019		
	Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
(in millions of dollars)				
<b>Fixed Maturity Securities</b>				
All Other Corporate Bonds - Private	\$ 119.2	Market Approach	Lack of Marketability Volatility of Credit Market Convention	(a) 4.56% - 4.56% / 4.56% (b) 0.35% - 17.68% / 2.2% (c) Priced at Par
Perpetual Preferred Equity Securities	4.6	Market Approach	Market Convention	(c) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(22.8)	Discounted Cash Flows	Projected Liability Cash Flows Weighted Spread of Swap Curve	(d) Actuarial Assumptions 0.8%

- (a) Represents basis point adjustments to apply a discount due to the illiquidity of an investment
- (b) Represents basis point adjustments for credit-specific factors
- (c) Represents a decision to price based on par value, cost, or owner's equity when limited data is available
- (d) Represents various actuarial assumptions required to derive the liability cash flows. Fair value of embedded derivative is most often driven by the change in the weighted average credit spread to the swap curve for the assets backing the hypothetical loan.

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

***Unum Group and Subsidiaries***

**Note 2 - Fair Values of Financial Instruments - Continued**

***Fair Value Measurements for Financial Instruments Not Carried at Fair Value***

The methods and assumptions used to estimate fair values of financial instruments not carried at fair value are discussed as follows:

*Mortgage Loans:* Fair values are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings and maturities. Loans with similar characteristics are aggregated for purposes of the calculations.

*Policy Loans:* Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal \$3,390.6 million and \$3,490.6 million as of December 31, 2020 and 2019, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties.

*Miscellaneous Long-term Investments:* Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Our shares of FHLB common stock are carried at cost, which approximates fair value.

*Long-term Debt:* Fair values for long-term debt are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements.

*Federal Home Loan Bank (FHLB) Funding Agreements:* Funding agreements with the FHLB represent cash advances used for the purpose of investing in fixed maturity securities. Carrying amounts approximate fair value.

*Unfunded Commitments to Investment Partnerships:* Unfunded equity commitments represent amounts that we have committed to fund certain investment partnerships. These commitments are legally binding, subject to the partnerships meeting specified conditions. Carrying amounts of these financial instruments approximate fair value.

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

The following table presents the carrying amounts and estimated fair values of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

	December 31, 2020				Carrying Value
	Estimated Fair Value				
	Level 1	Level 2	Level 3	Total	
	(in millions of dollars)				
<b>Assets</b>					
Mortgage Loans	\$ —	\$ 2,641.8	\$ —	\$ 2,641.8	\$ 2,432.1
Policy Loans	—	—	3,850.8	3,850.8	3,683.9
Other Long-term Investments					
Miscellaneous Long-term Investments	—	28.2	29.3	57.5	57.5
Total Financial Instrument Assets Not Carried at Fair Value	\$ —	\$ 2,670.0	\$ 3,880.1	\$ 6,550.1	\$ 6,173.5
<b>Liabilities</b>					
Long-term Debt	\$ 2,393.1	\$ 1,494.3	\$ —	\$ 3,887.4	\$ 3,345.7
Payable for Collateral on FHLB Funding Agreements	—	312.2	—	312.2	312.2
Other Liabilities					
Unfunded Commitments	—	0.9	—	0.9	0.9
Total Financial Instrument Liabilities Not Carried at Fair Value	\$ 2,393.1	\$ 1,807.4	\$ —	\$ 4,200.5	\$ 3,658.8

Unum Group and Subsidiaries

Note 2 - Fair Values of Financial Instruments - Continued

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

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

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

Unum Group and Subsidiaries

Note 3 - Investments

Fixed Maturity Securities

At December 31, 2020 and 2019, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows:

	December 31, 2020				
	Amortized Cost	ACL <sup>1</sup>	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)				
United States Government and Government Agencies and Authorities	\$ 559.0	\$ —	\$ 150.8	\$ —	\$ 709.8
States, Municipalities, and Political Subdivisions	3,609.9	—	652.8	1.5	4,261.2
Foreign Governments	902.9	—	266.5	1.2	1,168.2
Public Utilities	5,486.4	—	1,481.9	6.0	6,962.3
Mortgage/Asset-Backed Securities	1,019.9	—	88.0	0.2	1,107.7
All Other Corporate Bonds	24,958.8	6.8	5,013.5	46.9	29,918.6
Redeemable Preferred Stocks	9.6	—	—	0.1	9.5
<b>Total Fixed Maturity Securities</b>	<b>\$ 36,546.5</b>	<b>\$ 6.8</b>	<b>\$ 7,653.5</b>	<b>\$ 55.9</b>	<b>\$ 44,137.3</b>

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

<sup>1</sup>Allowance for Credit Losses

Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

	December 31, 2020			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
States, Municipalities, and Political Subdivisions	\$ 133.4	\$ 1.5	\$ 0.1	\$ —
Foreign Governments	20.3	1.2	—	—
Public Utilities	76.3	3.7	25.4	2.3
Mortgage/Asset-Backed Securities	3.0	0.1	3.1	0.1
All Other Corporate Bonds	520.4	22.4	113.5	24.5
Redeemable Preferred Stocks	9.5	0.1	—	—
<b>Total Fixed Maturity Securities</b>	<b>\$ 762.9</b>	<b>\$ 29.0</b>	<b>\$ 142.1</b>	<b>\$ 26.9</b>

	December 31, 2019			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$ 110.2	\$ 0.4	\$ —	\$ —
States, Municipalities, and Political Subdivisions	331.0	7.3	0.3	—
Foreign Governments	69.4	1.0	—	—
Public Utilities	168.3	2.6	37.0	5.6
Mortgage/Asset-Backed Securities	47.0	0.4	3.1	—
All Other Corporate Bonds	579.1	29.1	379.8	44.8
<b>Total Fixed Maturity Securities</b>	<b>\$ 1,305.0</b>	<b>\$ 40.8</b>	<b>\$ 420.2</b>	<b>\$ 50.4</b>



Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

	December 31, 2020				
	Amortized Cost, Net of ACL	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	\$ 881.8	\$ 19.5	\$ 836.4	\$ 2.9	\$ 62.0
Over 1 year through 5 years	6,162.6	589.9	6,545.7	22.9	183.9
Over 5 years through 10 years	10,886.9	1,914.8	12,659.4	10.7	131.6
Over 10 years	17,588.5	5,041.3	22,089.2	19.2	521.4
	35,519.8	7,565.5	42,130.7	55.7	898.9
Mortgage/Asset-Backed Securities	1,019.9	88.0	1,101.6	0.2	6.1
<b>Total Fixed Maturity Securities</b>	<b>\$ 36,539.7</b>	<b>\$ 7,653.5</b>	<b>\$ 43,232.3</b>	<b>\$ 55.9</b>	<b>\$ 905.0</b>

	December 31, 2019				
	Total Amortized Cost	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	\$ 821.5	\$ 14.5	\$ 832.6	\$ 0.2	\$ 3.2
Over 1 year through 5 years	6,286.2	456.5	6,423.4	41.7	277.6
Over 5 years through 10 years	13,570.8	1,688.3	14,881.3	14.6	363.2
Over 10 years	19,023.0	4,195.0	22,152.6	34.3	1,031.1
	39,701.5	6,354.3	44,289.9	90.8	1,675.1
Mortgage/Asset-Backed Securities	1,377.8	101.3	1,428.6	0.4	50.1
<b>Total Fixed Maturity Securities</b>	<b>\$ 41,079.3</b>	<b>\$ 6,455.6</b>	<b>\$ 45,718.5</b>	<b>\$ 91.2</b>	<b>\$ 1,725.2</b>

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

	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	
			Amount	Percent of Total Gross Unrealized Loss
Investment-Grade	\$ 40,637.2	\$ 7,371.5	\$ 18.1	32.4 %
Below-Investment-Grade	3,500.1	282.0	37.8	67.6
<b>Total Fixed Maturity Securities</b>	<b>\$ 44,137.3</b>	<b>\$ 7,653.5</b>	<b>\$ 55.9</b>	<b>100.0 %</b>

The unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities. Below-investment-grade fixed maturity securities are generally more likely to develop credit concerns than investment-grade securities. At December 31, 2020, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded a credit loss will recover in value. We have the ability and intent to continue to hold these securities to recovery of amortized cost and believe that no credit losses have occurred.

Unum Group and Subsidiaries

Note 3 - Investments - Continued

As of December 31, 2020, we held 47 individual investment-grade fixed maturity securities and 21 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 5 investment-grade fixed maturity securities and 13 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year.

In determining when a decline in fair value below amortized cost of a fixed maturity security represents a credit loss, we evaluate the following factors:

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

While determining whether a credit loss exists is a judgmental area, we utilize a formal, well-defined, and disciplined process to monitor and evaluate our fixed income investment portfolio, supported by issuer specific research and documentation as of the end of each period. The process results in a thorough evaluation of problem investments and the recording of credit losses on a timely basis for investments determined to have a credit loss. We calculate the allowance for credit losses of fixed maturity securities based on the present value of our best estimate of cash flows expected to be collected, discounted using the effective interest rate implicit in the security at the date of acquisition. When estimating future cash flows, we analyze the strength of the issuer's balance sheet, its debt obligations and near-term funding arrangements, cash flow and liquidity, the profitability of its core businesses, the availability of marketable assets which could be sold to increase liquidity, its industry fundamentals and regulatory environment, and its access to capital markets. As of December 31, 2020, with respect to the fixed maturity securities for which an allowance for credit losses was recognized, we do not intend to sell these securities, and it is not more likely than not that we will be required to sell these securities before recovery of our estimated value.

The following table presents a rollforward of the allowance for credit losses on available-for-sale fixed maturity securities, all of which are classified as "all other corporate bonds" in the preceding tables, at December 31, 2020:

	Year Ended
	(in millions of dollars)
Balance, beginning of period	\$ —
Credit losses on securities for which credit losses were not previously recorded	44.5
Change in allowance due to change in intent to hold securities to maturity	(37.7)
Change in allowance on securities with allowance recorded in previous period	—
Balance, end of period	<u>\$ 6.8</u>

At December 31, 2020, we had commitments of \$21.0 million to fund private placement fixed maturity securities, the amount of which may or may not be funded.

Unum Group and Subsidiaries

Note 3 - Investments - Continued

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 December 31, 2020, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$776.8 million, comprised of \$29.3 million of tax credit partnerships and \$747.5 million of private equity partnerships. At December 31, 2019, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$675.1 million, comprised of \$58.4 million of tax credit partnerships and \$616.7 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

The Company invests in tax credit partnerships primarily for the receipt of income tax credits and tax benefits derived from passive losses on the investments. Amounts recognized in the consolidated statements of income are as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Income Tax Credits	\$ 33.2	\$ 37.8	\$ 41.4
Amortization, Net of Tax	(21.9)	(25.2)	(28.1)
Income Tax Benefit	<u>\$ 11.3</u>	<u>\$ 12.6</u>	<u>\$ 13.3</u>

Contractually, we are a limited partner in these tax credit partnerships, and our maximum exposure to loss is limited to the carrying value of our investment, which includes \$0.9 million of unfunded unconditional commitments at December 31, 2020. See Note 2 for commitments to fund private equity partnerships.

Mortgage Loans

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

We adopted new accounting guidance that requires us to estimate an allowance for expected credit losses effective January 1, 2020. We carry our mortgage loans at amortized cost less the allowance for expected credit losses. The amortized cost of our mortgage loans was \$2,445.2 million and \$2,397.0 million at December 31, 2020 and December 31, 2019, respectively. The allowance for expected credit losses was \$13.1 million at December 31, 2020. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. We report accrued interest income for our mortgage loans as accrued investment income on our consolidated balance sheets, and the amount of the accrued income was \$8.0 million and \$8.3 million at December 31, 2020 and December 31, 2019, respectively.

Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

	December 31			
	2020		2019	
	(in millions of dollars)			
Property Type	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Apartment	\$ 638.0	26.2 %	\$ 608.8	25.4 %
Industrial	654.0	26.9	623.6	26.0
Office	517.8	21.3	549.3	22.9
Retail	575.6	23.7	567.5	23.7
Other	46.7	1.9	47.8	2.0
<b>Total</b>	<b>\$ 2,432.1</b>	<b>100.0 %</b>	<b>\$ 2,397.0</b>	<b>100.0 %</b>
Region				
New England	\$ 40.0	1.6 %	\$ 28.9	1.2 %
Mid-Atlantic	202.5	8.2	184.5	7.7
East North Central	330.4	13.6	329.2	13.7
West North Central	196.1	8.1	215.4	9.0
South Atlantic	512.0	21.1	509.2	21.2
East South Central	110.0	4.5	114.3	4.8
West South Central	257.4	10.6	246.6	10.3
Mountain	268.8	11.1	268.2	11.2
Pacific	514.9	21.2	500.7	20.9
<b>Total</b>	<b>\$ 2,432.1</b>	<b>100.0 %</b>	<b>\$ 2,397.0</b>	<b>100.0 %</b>

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

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

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

Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

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

	December 31			
	2020		2019	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
<b>Internal Rating</b>				
AA	\$ 3.5	0.1 %	\$ —	— %
A	510.0	21.0 %	485.6	20.3 %
BBB	1,863.0	76.6	1,911.4	79.7
BB	39.4	1.6	—	—
B	16.2	0.7	—	—
<b>Total</b>	<b>\$ 2,432.1</b>	<b>100.0 %</b>	<b>\$ 2,397.0</b>	<b>100.0 %</b>
<b>Loan-to-Value Ratio</b>				
<= 65%	\$ 1,189.4	48.9 %	\$ 1,215.1	50.7 %
> 65% <= 75%	1,000.3	41.1	1,053.0	43.9
> 75% <= 85%	155.8	6.4	91.4	3.8
> 85%	86.6	3.6	37.5	1.6
<b>Total</b>	<b>\$ 2,432.1</b>	<b>100.0 %</b>	<b>\$ 2,397.0</b>	<b>100.0 %</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 3 - Investments - Continued**

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

	Prior to 2016	2016	2017	2018	2019	2020	Total
	(in millions of dollars)						
<b>Internal Rating</b>							
AA	\$ 3.5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3.5
A	240.3	119.5	56.3	60.2	16.9	18.0	511.2
BBB	482.6	287.8	253.9	331.8	351.9	166.4	1,874.4
BB	29.4	—	10.5	—	—	—	39.9
B	16.2	—	—	—	—	—	16.2
<b>Total Amortized Cost</b>	<b>772.0</b>	<b>407.3</b>	<b>320.7</b>	<b>392.0</b>	<b>368.8</b>	<b>184.4</b>	<b>2,445.2</b>
Allowance for credit losses	(2.4)	(2.0)	(1.9)	(2.4)	(2.9)	(1.5)	(13.1)
<b>Carrying Amount</b>	<b>\$ 769.6</b>	<b>\$ 405.3</b>	<b>\$ 318.8</b>	<b>\$ 389.6</b>	<b>\$ 365.9</b>	<b>\$ 182.9</b>	<b>\$ 2,432.1</b>
<b>Loan-to-Value Ratio</b>							
<=65%	\$ 598.5	\$ 257.5	\$ 139.0	\$ 77.8	\$ 82.8	\$ 37.2	\$ 1,192.8
>65<=75%	47.2	122.5	109.9	294.8	286.0	147.2	1,007.6
>75%<=85%	78.7	27.3	37.9	13.3	—	—	157.2
>85%	47.6	—	33.9	6.1	—	—	87.6
<b>Total Amortized Cost</b>	<b>772.0</b>	<b>407.3</b>	<b>320.7</b>	<b>392.0</b>	<b>368.8</b>	<b>184.4</b>	<b>2,445.2</b>
Allowance for credit losses	(2.4)	(2.0)	(1.9)	(2.4)	(2.9)	(1.5)	(13.1)
<b>Carrying Amount</b>	<b>\$ 769.6</b>	<b>\$ 405.3</b>	<b>\$ 318.8</b>	<b>\$ 389.6</b>	<b>\$ 365.9</b>	<b>\$ 182.9</b>	<b>\$ 2,432.1</b>

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

	Year Ended December 31, 2020						
	Beginning of Period	Current Period Provisions	Write-Offs	Recoveries	End of Period		
	(in millions of dollars)						
<b>Loan-to-Value Ratio</b>							
<=65%	\$ 2.8	\$ 0.6	\$ —	\$ —	\$ 3.4		
>65<=75%	4.6	2.7	—	—	7.3		
>75%<=85%	0.5	0.8	—	—	1.3		
>85%	0.4	0.7	—	—	1.1		
<b>Total</b>	<b>\$ 8.3</b>	<b>\$ 4.8</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 13.1</b>		

The increase in our estimate of expected losses during the year ended December 31, 2020 is primarily due to the expected impact of COVID-19, specifically impacts to underlying commercial real estate values, and reflects market conditions at December 31, 2020.

There were no troubled debt restructurings during 2020 or 2019. We had one mortgage loan which was modified in a troubled debt restructuring during the second quarter of 2018. The loan had a principal balance of \$3.6 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 September 2018. At time of restructuring, we recorded an allowance for credit losses on mortgage loans and recognized an impairment loss of \$0.2 million in the second quarter of 2018. The payoff of the loan did not occur in

***Unum Group and Subsidiaries***

**Note 3 - Investments - Continued**

September 2018 and the loan was considered impaired as of December 31, 2018. The loan was settled during the first quarter of 2019 resulting in an additional loss of \$0.1 million. At December 31, 2020, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

We had no loan foreclosures for the years ended December 31, 2020, 2019, or 2018.

For the year ended December 31, 2020, we had no impaired mortgage loans. Our average investment in impaired mortgage loans was \$0.6 million, and \$2.3 million for the years ended December 31, 2019 and 2018, respectively. We did not recognize any interest income during 2020, 2019 or 2018 on mortgage loans subsequent to impairment.

At December 31, 2020, we had commitments of \$11.4 million to fund certain commercial mortgage loans. Consistent with how we determine the estimate of current expected credit losses for our funded mortgage loans each period, we estimate expected credit losses for loans that have not been funded but we are committed to fund at the end of each period. At December 31, 2020, we had \$0.1 million of expected credit losses related to unfunded commitments on our consolidated balance sheets.

***Investment Real Estate***

Our investment real estate balance was \$106.3 million and \$90.5 million at December 31, 2020 and 2019, respectively, and the associated accumulated depreciation was \$97.7 million and \$49.8 million at December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, we recognized \$36.6 million in impairments related to certain of our real estate held for investment. We did not recognize any impairments on investment real estate during 2019 and we recognized \$0.6 million in impairments in 2018.

***Transfers of Financial Assets***

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

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

As of December 31, 2020, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$96.6 million, for which we received collateral in the form of cash and securities of \$17.6 million and \$82.8 million, respectively. As of December 31, 2019, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$176.4 million, for which we received collateral in the form of securities of \$186.5 million. We had no outstanding repurchase agreements at December 31, 2020 or 2019.

Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

	December 31	
	2020	2019
	Overnight and Continuous	
	(in millions of dollars)	
<b>Borrowings</b>		
United States Government and Government Agencies and Authorities	\$ 0.1	\$ —
State, Municipalities, and Political Subdivisions	0.4	—
Public Utilities	0.3	—
All Other Corporate Bonds	16.8	—
Total Borrowings	\$ 17.6	\$ —
Gross Amount of Recognized Liability for Securities Lending Transactions	17.6	—
Amounts Related to Agreements Not Included in Offsetting Disclosure Contained Herein	\$ —	\$ —

Certain of our U.S. insurance subsidiaries are members of regional FHLBs. Membership, which requires that we purchase a minimum amount of FHLB common stock on which we receive dividends, provides access to low-cost funding. Advances received from the FHLB are used for the purchase of fixed maturity securities. Additional common stock purchases may be required, based on the amount of funds we borrow from the FHLBs. The carrying value of common stock owned, collateral posted, and advances received are as follows:

	December 31	
	2020	2019
	(in millions of dollars)	
Carrying Value of FHLB Common Stock	\$ 28.2	\$ 18.5
Advances from FHLB	312.2	—
Carrying Value of Collateral Posted to FHLB		
Fixed Maturity Securities	\$ 944.0	\$ 182.1
Commercial Mortgage Loans	1,072.5	164.4
Total Carrying Value of Collateral Posted to FHLB	\$ 2,016.5	\$ 346.5

**Offsetting of Financial Instruments**

We enter into master netting agreements with each of our derivatives counterparties. These agreements provide for conditional rights of set-off upon the occurrence of an early termination event. An early termination event is considered a default, and it allows the non-defaulting party to offset its contracts in a loss position against any gain positions or payments due to the defaulting party. Under our agreements, default type events are defined as failure to pay or deliver as contractually agreed, misrepresentation, bankruptcy, or merger without assumption. See Note 4 for further discussion of collateral related to our derivative contracts.

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



Unum Group and Subsidiaries

Note 3 - Investments - Continued

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

	December 31, 2020					
	Gross Amount of Recognized Financial Instruments	Gross Amount Offset in Balance Sheet	Net Amount Presented in Balance Sheet (in millions of dollars)	Gross Amount Not Offset in Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral	
<b>Financial Assets:</b>						
Derivatives	\$ 19.8	\$ —	\$ 19.8	\$ (10.1)	\$ (8.7)	\$ 1.0
Securities Lending	96.6	—	96.6	(79.0)	(17.6)	—
<b>Total</b>	<b>\$ 116.4</b>	<b>\$ —</b>	<b>\$ 116.4</b>	<b>\$ (89.1)</b>	<b>\$ (26.3)</b>	<b>\$ 1.0</b>
<b>Financial Liabilities:</b>						
Derivatives	\$ 59.7	\$ —	\$ 59.7	\$ (59.0)	\$ —	\$ 0.7
Securities Lending	17.6	—	17.6	(17.6)	—	—
<b>Total</b>	<b>\$ 77.3</b>	<b>\$ —</b>	<b>\$ 77.3</b>	<b>\$ (76.6)</b>	<b>\$ —</b>	<b>\$ 0.7</b>

	December 31, 2019					
	Gross Amount of Recognized Financial Instruments	Gross Amount Offset in Balance Sheet	Net Amount Presented in Balance Sheet (in millions of dollars)	Gross Amount Not Offset in Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral	
<b>Financial Assets:</b>						
Derivatives	\$ 27.5	\$ —	\$ 27.5	\$ (4.0)	\$ (23.5)	\$ —
Securities Lending	176.4	—	176.4	(176.4)	—	—
<b>Total</b>	<b>\$ 203.9</b>	<b>\$ —</b>	<b>\$ 203.9</b>	<b>\$ (180.4)</b>	<b>\$ (23.5)</b>	<b>\$ —</b>
<b>Financial Liabilities:</b>						
Derivatives	\$ 34.6	\$ —	\$ 34.6	\$ (31.3)	\$ —	\$ 3.3

Unum Group and Subsidiaries

Note 3 - Investments - Continued

Net Investment Income

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

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Fixed Maturity Securities	\$ 2,164.0	\$ 2,213.6	\$ 2,239.7
Derivatives	78.7	73.4	66.1
Mortgage Loans	108.9	103.3	110.1
Policy Loans	20.0	19.9	18.6
Other Long-term Investments			
Perpetual Preferred Securities <sup>1</sup>	(2.1)	5.4	(0.2)
Private Equity Partnerships <sup>2</sup>	19.8	31.7	36.0
Other	3.9	3.9	8.4
Short-term Investments	10.5	29.0	23.7
Gross Investment Income	2,403.7	2,480.2	2,502.4
Less Investment Expenses	30.6	32.1	35.2
Less Investment Income on Participation Fund Account Assets	12.4	12.8	13.5
<b>Net Investment Income</b>	<b>\$ 2,360.7</b>	<b>\$ 2,435.3</b>	<b>\$ 2,453.7</b>

<sup>1</sup> The net unrealized gain (loss) recognized in net investment income for the year ended December 31, 2020 related to perpetual preferred securities still held at December 31, 2020 was \$(4.6) million. The net unrealized gain (loss) recognized in net investment income for the year ended December 31, 2019 related to perpetual preferred securities still held at December 31, 2019 was \$3.3 million.

<sup>2</sup> The net unrealized gain (loss) recognized in net investment income for the year ended December 31, 2020 related to private equity partnerships still held at December 31, 2020 was \$(8.7) million. The net unrealized gain (loss) recognized in net investment income for the year ended December 31, 2019 related to private equity partnerships still held at December 31, 2019 was \$6.8 million. See Note 2 for further discussion of private equity partnerships.

Unum Group and Subsidiaries

Note 3 - Investments - Continued

Realized Investment Gain and Loss

Realized investment gains and losses are as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Fixed Maturity Securities</b>			
Gross Gains on Sales <sup>1</sup>	\$ 1,332.8	\$ 22.9	\$ 9.7
Gross Losses on Sales	(20.3)	(32.6)	(15.2)
Credit Losses	(53.6)	(25.3)	(17.5)
<b>Mortgage Loans and Other Invested Assets</b>			
Gross Gains on Sales	1.9	4.6	0.5
Gross Losses on Sales	(0.3)	(0.3)	—
Impairment Loss	(36.6)	—	(1.4)
Credit Losses	(4.6)	—	—
Embedded Derivative in Modified Coinsurance Arrangement	(17.0)	8.3	(15.2)
All Other Derivatives	(2.5)	(0.1)	0.3
Foreign Currency Transactions	(0.7)	(0.7)	(0.7)
<b>Net Realized Investment Gain (Loss)</b>	<b>\$ 1,199.1</b>	<b>\$ (23.2)</b>	<b>\$ (39.5)</b>

<sup>1</sup>Gross gains on sales of fixed maturity securities includes gains of \$1,302.3 million as a result of the reinsurance transaction that we entered into during the fourth quarter of 2020. See Note 12 for further discussion.

**Unum Group and Subsidiaries**

**Note 4 - Derivative Financial Instruments**

***Purpose of Derivatives***

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, risk related to matching duration for our assets and liabilities, foreign currency risk, and credit risk. Historically, we have utilized current and forward interest rate swaps, current and forward currency swaps, forward benchmark interest rate locks, currency forward contracts, forward contracts on specific fixed income securities, and credit default swaps. Transactions hedging interest rate risk are primarily associated with our individual and group long-term care and individual and group disability products. All other product portfolios are periodically reviewed to determine if hedging strategies would be appropriate for risk management purposes. We do not use derivative financial instruments for speculative purposes.

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

- *Interest rate swaps* are used to hedge interest rate risks and to improve the matching of assets and liabilities. An interest rate swap is an agreement in which we agree with other parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts. We use interest rate swaps to hedge the anticipated purchase of fixed maturity securities thereby protecting us from the potential adverse impact of declining interest rates on the associated policy reserves. We also use interest rate swaps to hedge the potential adverse impact of rising interest rates in anticipation of issuing fixed rate long-term debt.
- *Forward benchmark interest rate locks* are used to minimize interest rate risk associated with the anticipated purchase or disposal of fixed maturity securities or debt. A forward benchmark interest rate lock is a derivative contract without an initial investment where we and the counterparty agree to purchase or sell a specific benchmark interest rate fixed maturity bond at a future date at a pre-determined price.

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

- *Interest rate swaps* are used to effectively convert certain of our fixed rate securities into floating rate securities which are used to fund our floating rate long-term debt. Under these swap agreements, we receive a variable rate of interest and pay a fixed rate of interest. Additionally, we use interest rate swaps to effectively convert certain fixed rate, long-term debt into floating rate long-term debt. Under these swap agreements, we receive a fixed rate of interest and pay a variable rate of interest.

Derivatives designated as either cash flow or fair value hedges and used to reduce our exposure to foreign currency risk are as follows:

- *Foreign currency interest rate swaps* are used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. Under these swap agreements, we agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment.

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

- *Foreign currency interest rate swaps* previously designated as hedges were used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. These derivatives were effective hedges prior to novation to a new counterparty. In conjunction with the novation, these derivatives were re-designated as hedges. We agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment. We hold offsetting swaps wherein we agree to pay fixed rate principal and interest payments in the functional currency of the operating segment in exchange for fixed rate foreign currency-denominated payments.

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

- *Credit default swaps* are used as economic hedges against credit risk but do not qualify for hedge accounting. A credit default swap is an agreement in which we agree with another party to pay, at specified intervals, a fixed-rate fee in exchange for insurance against a credit event on a specific investment. If a defined credit event occurs, our counterparty may either pay us a net cash settlement, or we may surrender the specific investment to them in exchange for cash equal to the full notional amount of the swap. Credit events typically include events such as bankruptcy, failure to pay, or certain types of debt restructuring.
- *Foreign currency forward* contracts are used to minimize foreign currency risk. A foreign currency forward is a derivative without an initial investment where we and the counterparty agree to exchange a specific amount of currencies, at a specific exchange rate, on a specific date. We use these forward contracts to hedge the currency risk arising from foreign-currency denominated securities.

**Derivative Risks**

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest and exchange rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives should generally offset the market risk associated with the hedged financial instrument or liability. To help limit the credit exposure of the derivatives, we enter into master netting agreements with our counterparties whereby contracts in a gain position can be offset against contracts in a loss position. We also typically enter into bilateral, cross-collateralization agreements with our counterparties to help limit the credit exposure of the derivatives. These agreements require the counterparty in a loss position to submit acceptable collateral with the other counterparty in the event the net loss position meets or exceeds an agreed upon amount. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. At December 31, 2020, we had \$0.7 million credit exposure on derivatives. At December 31, 2019, we had no credit exposure on derivatives. The table below summarizes the nature and amount of collateral received from and posted to our derivative counterparties.

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Carrying Value of Collateral Received from Counterparties</b>		
Cash	\$ 8.7	\$ 24.0
<b>Carrying Value of Collateral Posted to Counterparties</b>		
Fixed Maturity Securities	\$ 54.0	\$ 28.6

See Note 3 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 \$59.7 million and \$34.6 million at December 31, 2020 and 2019, respectively.

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

Derivative Transactions

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

	Swaps					Forwards	Total
	Receive Variable/Pay Fixed	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable	Credit Default			
	(in millions of dollars)						
<b>Balance at December 31, 2017</b>	\$ 48.0	\$ 536.5	\$ 250.0	\$ 70.0	\$ —	\$ 904.5	
Additions	—	78.1	—	11.0	47.4	136.5	
Terminations	48.0	76.4	—	70.0	47.4	241.8	
<b>Balance at December 31, 2018</b>	—	538.2	250.0	11.0	—	799.2	
Additions	—	171.3	—	—	382.4	553.7	
Terminations	—	98.4	—	—	373.1	471.5	
Foreign Currency	—	—	—	0.4	(0.4)	—	
<b>Balance at December 31, 2019</b>	—	611.1	250.0	11.4	8.9	881.4	
Additions	—	113.6	—	—	6.4	120.0	
Terminations	—	3.9	250.0	—	3.4	257.3	
Foreign Currency	—	—	—	0.3	—	0.3	
<b>Balance at December 31, 2020</b>	\$ —	\$ 720.8	\$ —	\$ 11.7	\$ 11.9	\$ 744.4	

Cash Flow Hedges

As of December 31, 2020 and 2019, we had \$210.2 million and \$213.5 million, respectively, notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities.

During the fourth quarter of 2020, in connection with the Closed Block individual disability reinsurance transaction, we reclassified \$30.7 million of deferred gains from accumulated other comprehensive income into earnings included in the net realized investment gain line item on our income statement. The deferred gains were related to previously terminated interest rate swaps designated as hedging instruments of fixed maturity securities in the Closed Block individual disability product line. See Note 12 for further discussion.

During the third quarter of 2019, we entered into a \$350.0 million notional forward benchmark interest rate lock in order to hedge the interest rate risk associated with the cash flows related to the tender offer and early redemption of certain of our debt securities. We terminated the interest rate lock during 2019 and recognized a loss of \$0.5 million that was reported with the \$5.3 million tender premium as a cost related to the early retirement of debt in our statement of income. See Note 8 for further discussion of the tender offer and early redemption of certain of our debt securities.

As of December 31, 2020, we expect to amortize approximately \$60.3 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. Additional amounts that may be reclassified from accumulated other comprehensive income into earnings to offset the earnings impact of foreign currency translation of hedged items are not estimable.

As of December 31, 2020, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2045.

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

Fair Value Hedges

As of December 31, 2020 and 2019, we had \$362.4 million and \$249.4 million notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities.

At December 31, 2019, we had \$250.0 million notional amount of receive fixed, pay variable interest rate swaps to hedge the changes in the fair value of certain fixed rate long-term debt which matured in the third quarter of 2020 along with the hedged debt. These swaps effectively converted the associated fixed rate long-term debt into floating rate debt and provided 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 following table summarizes the carrying amount of hedged assets and liabilities and the related cumulative basis adjustments related to our fair value hedges:

	Carrying Amount of Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(in millions of dollars)			
Fixed maturity securities:				
Receive fixed functional currency interest, pay fixed foreign currency interest	\$ 404.5	\$ 239.4	\$ 24.4	\$ 1.1
Long-term Debt	\$ —	\$ (249.2)	\$ —	\$ 0.6

For the years ended December 31, 2020, 2019, and 2018, \$(1.8) million, \$2.0 million, and \$2.5 million respectively, of the derivative instruments' gain (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 December 31, 2020 and 2019, we held \$148.2 million notional amount of receive fixed, pay fixed, foreign currency interest rate swaps. These derivatives are not designated as hedges, and as such, changes in fair value related to these derivatives are reported in earnings as a component of net realized investment gain or loss.

As of December 31, 2020 and 2019, we held \$11.7 million and \$11.4 million, respectively, notional amount of single name credit default swaps. We entered into these swaps in order to mitigate the credit risk associated with specific securities owned.

As of December 31, 2020 and 2019, we held \$11.9 million and \$8.9 million, respectively, notional amount of foreign currency forwards to mitigate the foreign currency risk associated with specific securities owned.

We have an embedded derivative in a modified coinsurance arrangement for which we include in our realized investment gains and losses a calculation intended to estimate the value of the option of our reinsurance counterparty to cancel the reinsurance contract with us. However, neither party can unilaterally terminate the reinsurance agreement except in extreme circumstances resulting from regulatory supervision, delinquency proceedings, or other direct regulatory action. Cash settlements or collateral related to this embedded derivative are not required at any time during the reinsurance contract or at termination of the reinsurance contract. There are no credit-related counterparty triggers, and any accumulated embedded derivative gain or loss reduces to zero over time as the reinsured business winds down.

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

Locations and Amounts of Derivative Financial Instruments

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

	December 31, 2020			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
(in millions of dollars)				
<b>Designated as Hedging Instruments</b>				
Cash Flow Hedges				
Foreign Exchange Contracts	Other L-T Investments	\$ 16.4	Other Liabilities	\$ 9.4
Fair Value Hedges				
Foreign Exchange Contracts	Other L-T Investments	3.3	Other Liabilities	26.0
<b>Total Designated as Hedging Instruments</b>		<u>\$ 19.7</u>		<u>\$ 35.4</u>
<b>Not Designated as Hedging Instruments</b>				
Credit Default Swaps	Other L-T Investments	\$ 0.1	Other Liabilities	\$ —
Forwards	Other L-T Investments	—	Other Liabilities	0.5
Foreign Exchange Contracts	Other L-T Investments	—	Other Liabilities	23.8
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—	Other Liabilities	39.8
<b>Total Not Designated as Hedging Instruments</b>		<u>\$ 0.1</u>		<u>\$ 64.1</u>



Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

	December 31, 2019			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
(in millions of dollars)				
<b>Designated as Hedging Instruments</b>				
Cash Flow Hedges				
Foreign Exchange Contracts	Other L-T Investments	\$ 19.4	Other Liabilities	\$ 6.6
Fair Value Hedges				
Interest Rate Swaps	Other L-T Investments	—	Other Liabilities	0.6
Foreign Exchange Contracts	Other L-T Investments	7.6	Other Liabilities	5.0
Total Fair Value Hedges		7.6		5.6
<b>Total Designated as Hedging Instruments</b>		<u>\$ 27.0</u>		<u>\$ 12.2</u>
<b>Not Designated as Hedging Instruments</b>				
Credit Default Swaps	Other L-T Investments	\$ 0.5	Other Liabilities	\$ —
Foreign Exchange Contracts	Other L-T Investments	—	Other Liabilities	22.4
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—	Other Liabilities	22.8
<b>Total Not Designated as Hedging Instruments</b>		<u>\$ 0.5</u>		<u>\$ 45.2</u>

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

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

	Year Ended December 31, 2020		
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)		
<b>Total Income and Expense Presented in the Consolidated Statements of Income of Which Hedged Items are Recorded</b>	\$ 2,360.7	\$ 1,199.1	\$ 188.2
<b>Gain (Loss) on Cash Flow Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	286.1	397.7	29.2
Derivatives Designated as Hedging Instruments	75.9	32.0	1.7
Foreign Exchange Contracts:			
Hedged items	12.1	(0.1)	—
Derivatives Designated as Hedging Instruments	2.5	0.1	—
<b>Gain (Loss) on Fair Value Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	—	(0.6)	10.1
Derivatives Designated as Hedging Instruments	—	0.6	(0.9)
Foreign Exchange Contracts			
Hedged items	7.1	23.3	—
Derivatives Designated as Hedging Instruments	2.8	(23.3)	—

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

	Year Ended December 31, 2019		
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)		
<b>Total Income and Expense Presented in the Consolidated Statements of Income of Which Hedged Items are Recorded</b>	\$ 2,435.3	\$ (23.2)	\$ 177.4
<b>Gain (Loss) on Cash Flow Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	294.6	(1.6)	30.4
Derivatives Designated as Hedging Instruments	74.3	9.3	2.4
Foreign Exchange Contracts:			
Hedged items	14.8	1.4	—
Derivatives Designated as Hedging Instruments	(2.0)	(1.4)	—
<b>Gain (Loss) on Fair Value Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	—	(4.5)	14.3
Derivatives Designated as Hedging Instruments	—	4.5	2.5
Foreign Exchange Contracts			
Hedged items	2.9	3.8	—
Derivatives Designated as Hedging Instruments	1.9	(3.8)	—

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

	Year Ended December 31, 2018		
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)		
<b>Total Income and Expense Presented in the Consolidated Statements of Income of Which Hedged Items are Recorded</b>	\$ 2,453.7	\$ (39.5)	\$ 167.3
<b>Gain (Loss) on Cash Flow Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	310.3	0.1	38.4
Derivatives Designated as Hedging Instruments	67.1	(0.3)	2.3
Foreign Exchange Contracts:			
Hedged items	18.1	1.5	—
Derivatives Designated as Hedging Instruments	(0.9)	(1.5)	—
<b>Gain (Loss) on Fair Value Hedging Relationships</b>			
Interest Rate Swaps:			
Hedged items	1.0	0.1	14.3
Derivatives Designated as Hedging Instruments	(0.5)	(0.1)	1.8
Foreign Exchange Contracts			
Hedged items	0.6	(2.7)	—
Derivatives Designated as Hedging Instruments	0.5	2.7	—

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

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives</b>			
Interest Rate Swaps and Forwards	\$ —	\$ (0.1)	\$ (0.1)
Foreign Exchange Contracts	(5.4)	(6.1)	16.9
<b>Total</b>	<b>\$ (5.4)</b>	<b>\$ (6.2)</b>	<b>\$ 16.8</b>

Unum Group and Subsidiaries

Note 4 - Derivative Financial Instruments - Continued

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.

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Net Realized Investment Gain (Loss)</b>			
Credit Default Swaps	\$ (0.5)	\$ (0.1)	\$ (0.3)
Interest Rate Swaps	—	—	(0.3)
Foreign Exchange Contracts	(2.0)	—	0.9
Embedded Derivative in Modified Coinsurance Arrangement	(17.0)	8.3	(15.2)
<b>Total</b>	<u>\$ (19.5)</u>	<u>\$ 8.2</u>	<u>\$ (14.9)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 5 - Accumulated Other Comprehensive Income (Loss)**

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

	Net Unrealized Gain (Loss) on Securities	Net Gain on Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
	(in millions of dollars)				
<b>Balances at December 31, 2017</b>	\$ 607.8	\$ 282.3	\$ (254.5)	\$ (508.1)	\$ 127.5
Adjustment to Adopt Accounting Standard Update - Note 1	(17.5)	—	—	—	(17.5)
Other Comprehensive Income (Loss) Before Reclassifications	(920.3)	16.8	(50.7)	43.6	(910.6)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	17.6	(48.5)	—	17.3	(13.6)
Net Other Comprehensive Income (Loss)	(902.7)	(31.7)	(50.7)	60.9	(924.2)
<b>Balances at December 31, 2018</b>	(312.4)	250.6	(305.2)	(447.2)	(814.2)
Other Comprehensive Income (Loss) Before Reclassifications	894.1	(0.2)	23.6	(52.0)	865.5
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	34.2	(62.6)	—	14.4	(14.0)
Net Other Comprehensive Income (Loss)	928.3	(62.8)	23.6	(37.6)	851.5
<b>Balances at December 31, 2019</b>	615.9	187.8	(281.6)	(484.8)	37.3
Other Comprehensive Income (Loss) Before Reclassifications	405.6	(5.7)	20.3	(60.8)	359.4
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	46.2	(84.3)	—	15.6	(22.5)
Net Other Comprehensive Income (Loss)	451.8	(90.0)	20.3	(45.2)	336.9
<b>Balances at December 31, 2020</b>	<u>\$ 1,067.7</u>	<u>\$ 97.8</u>	<u>\$ (261.3)</u>	<u>\$ (530.0)</u>	<u>\$ 374.2</u>

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

	December 31			January 1	December 31	Change for the Year Ended December 31		
	2020	2019	2018	2018	2017	2020	2019	2018
	(in millions of dollars)							
Fixed Maturity Securities	\$ 7,597.6	\$ 6,364.4	\$ 2,736.5	\$ 5,665.2	\$ 5,677.3	\$ 1,233.2	\$ 3,627.9	\$ (2,928.7)
Other Investments	—	—	—	—	14.4	—	—	—
Deferred Acquisition Costs	(85.1)	(62.7)	(27.9)	(51.4)	(51.4)	(22.4)	(34.8)	23.5
Reserves for Future Policy and Contract Benefits	(6,225.6)	(5,803.1)	(3,220.3)	(5,094.7)	(5,094.7)	(422.5)	(2,582.8)	1,874.4
Reinsurance Recoverable	200.2	424.7	261.4	375.8	375.8	(224.5)	163.3	(114.4)
Income Tax	(419.4)	(307.4)	(62.1)	(304.6)	(313.6)	(112.0)	(245.3)	242.5
<b>Total</b>	<u>\$ 1,067.7</u>	<u>\$ 615.9</u>	<u>\$ (312.4)</u>	<u>\$ 590.3</u>	<u>\$ 607.8</u>	<u>\$ 451.8</u>	<u>\$ 928.3</u>	<u>\$ (902.7)</u>

Unum Group and Subsidiaries

Note 5 - Accumulated Other Comprehensive Income (Loss) - Continued

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

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Net Unrealized Gain (Loss) on Securities</b>			
Net Realized Investment Gain (Loss)			
Gain (Loss) on Sales on Securities	\$ 1,279.7	\$ (18.0)	\$ (4.8)
Credit Losses on Fixed Maturity Securities	(53.6)	(25.3)	(17.5)
Loss on Benefits and Change in Reserves for Future Benefits	(1,284.5)	—	—
	(58.4)	(43.3)	(22.3)
Income Tax Benefit	(12.2)	(9.1)	(4.7)
<b>Total</b>	<b>\$ (46.2)</b>	<b>\$ (34.2)</b>	<b>\$ (17.6)</b>
<b>Net Gain on Hedges</b>			
Net Investment Income			
Gain on Interest Rate Swaps and Forwards	\$ 74.1	\$ 73.6	\$ 65.9
Gain (Loss) on Foreign Exchange Contracts	2.0	0.8	(1.1)
Net Realized Investment Gain (Loss)			
Gain on Interest Rate Swaps	32.0	8.8	0.2
Gain (Loss) on Foreign Exchange Contracts	0.1	(1.3)	(1.5)
Interest and Debt Expense			
Loss on Interest Rate Swaps	(1.5)	(2.1)	(2.1)
Loss on Forward	—	(0.5)	—
	106.7	79.3	61.4
Income Tax Expense	22.4	16.7	12.9
<b>Total</b>	<b>\$ 84.3</b>	<b>\$ 62.6</b>	<b>\$ 48.5</b>
<b>Unrecognized Pension and Postretirement Benefit Costs</b>			
Other Expenses			
Amortization of Net Actuarial Loss	\$ (19.8)	\$ (18.6)	\$ (22.3)
Amortization of Prior Service Credit	0.1	0.2	0.2
Curtailment Gain	(0.1)	—	—
	(19.8)	(18.4)	(22.1)
Income Tax Benefit	(4.2)	(4.0)	(4.8)
<b>Total</b>	<b>\$ (15.6)</b>	<b>\$ (14.4)</b>	<b>\$ (17.3)</b>

Unum Group and Subsidiaries

Note 6 - Liability for Unpaid Claims and Claim Adjustment Expenses

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

	2020	2019	2018
	(in millions of dollars)		
<b>Balance at January 1</b>	\$ 23,076.7	\$ 23,149.0	\$ 23,222.0
Less Reinsurance Recoverable	2,246.8	2,227.3	2,182.0
<b>Net Balance at January 1</b>	<u>20,829.9</u>	<u>20,921.7</u>	<u>21,040.0</u>
<b>Incurring Related to</b>			
Current Year	6,327.8	6,113.2	5,832.3
<b>Prior Years</b>			
Interest	997.8	1,036.5	1,049.8
All Other Incurred	878.7	(274.1)	(106.2)
Foreign Currency	65.9	76.0	(110.7)
<b>Total Incurred</b>	<u>8,270.2</u>	<u>6,951.6</u>	<u>6,665.2</u>
<b>Paid Related to</b>			
Current Year	(2,727.0)	(2,532.4)	(2,354.7)
Prior Years	(4,430.3)	(4,511.0)	(4,428.8)
<b>Total Paid</b>	<u>(7,157.3)</u>	<u>(7,043.4)</u>	<u>(6,783.5)</u>
Reserves Ceded Pursuant to Reinsurance Transaction	(6,141.5)	—	—
<b>Net Balance at December 31</b>	<u>15,801.3</u>	<u>20,829.9</u>	<u>20,921.7</u>
Plus Reinsurance Recoverable	8,378.9	2,246.8	2,227.3
<b>Balance at December 31</b>	<u>\$ 24,180.2</u>	<u>\$ 23,076.7</u>	<u>\$ 23,149.0</u>

The majority of the net balances are related to disability claims with long-tail payouts on which interest earned on assets backing liabilities is an integral part of pricing and reserving. Interest accrued on prior year reserves has been calculated on the opening reserve balance less one-half of the year's claim payments relative to prior years at our average reserve discount rate for the respective periods.

"Incurred Related to Prior Years - All Other Incurred" shown in the preceding chart includes the increase in benefits and change in reserves for future benefits resulting from the realization of previously unrealized investment gains and losses as a result of the Closed Block individual disability reinsurance agreement and reserve adjustments as discussed in the following paragraphs, which impact the comparability between the years presented. Excluding those adjustments, the variability exhibited year over year is primarily caused by the level of claim resolutions in the period relative to the long-term expectations reflected in the reserves. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period, both favorably and unfavorably.

**Closed Block Individual Disability Reinsurance Transaction**

In connection with the first phase of the Closed Block individual disability coinsurance agreement that closed in December 2020, we recorded a reinsurance recoverable of \$6,141.5 million representing the ceded reserves related to the cohort of policies on claim status as of July 1, 2020 (DLR cohort) and an increase in benefits and change in reserves for future benefits of \$1,284.5 million resulting from the realization of previously unrealized investment gains and losses recorded in accumulated other comprehensive income. These impacts are reflected in the chart shown above and the reconciliation shown below.



Unum Group and Subsidiaries

Note 6 - Liability for Unpaid Claims and Claim Adjustment Expenses

2020 Long-term Care Reserve Increase

During the fourth quarter of 2020, we completed a review of policy reserve adequacy, which incorporated our most recent experience and included a review of all material assumptions. Based on our analysis, during the fourth quarter of 2020, we updated our interest rate and premium rate increase reserve assumptions and determined that our gross long-term care policy and claim reserves should be increased by \$151.5 million, of which \$7.0 million was related to our liability for unpaid claims and claims adjustment expenses, which can be primarily attributed to prior year incurred claims, thereby impacting the results shown in the preceding chart.

2018 Long-term Care Reserve Increase

During the third quarter of 2018, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions. Based on our analysis, during the third quarter of 2018, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$750.8 million of which, approximately \$236 million was related to our liability for unpaid claims and claims adjustment expenses, which can be primarily attributed to prior year incurred claims, thereby impacting the results shown in the preceding chart.

Reconciliation

A reconciliation of policy and contract benefits and reserves for future policy and contract benefits as reported in our consolidated balance sheets to the liability for unpaid claims and claim adjustment expenses is as follows:

	December 31		
	2020	2019	2018
	(in millions of dollars)		
Policy and Contract Benefits	\$ 1,855.4	\$ 1,745.5	\$ 1,695.7
Reserves for Future Policy and Contract Benefits	49,653.0	47,780.1	44,841.9
Total	51,508.4	49,525.6	46,537.6
Less:			
Life Reserves for Future Policy and Contract Benefits	8,371.7	8,435.7	8,330.9
Accident and Health Active Life Reserves	12,730.9	12,210.1	11,837.4
Adjustment Related to Unrealized Investment Gains and Losses	6,225.6	5,803.1	3,220.3
<b>Liability for Unpaid Claims and Claim Adjustment Expenses</b>	<b>\$ 24,180.2</b>	<b>\$ 23,076.7</b>	<b>\$ 23,149.0</b>

The adjustment related to unrealized investment gains and losses reflects the changes that would be necessary to policyholder liabilities if the unrealized investment gains and losses related to the corresponding available-for-sale securities had been realized. Changes in this adjustment are reported as a component of other comprehensive income or loss.

Unum Group and Subsidiaries

Note 7 - Income Tax

Total income tax expense (benefit) is allocated as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Net Income	\$ 171.0	\$ 281.8	\$ 104.4
Stockholders' Equity - Accumulated Other Comprehensive Income (Loss)			
Change in Net Unrealized Gain on Securities Before Adjustment	250.2	757.0	(614.2)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance	(138.2)	(511.7)	371.7
Change in Net Gain on Hedges	(23.8)	(17.0)	(8.2)
Change in Foreign Currency Translation Adjustment	(4.3)	0.2	(0.6)
Change in Unrecognized Pension and Postretirement Benefit Costs	(34.8)	(9.3)	17.0
<b>Total</b>	<u>\$ 220.1</u>	<u>\$ 501.0</u>	<u>\$ (129.9)</u>

A reconciliation of the income tax provision at the U.S. federal statutory rate to the income tax rate as reported in our consolidated statements of income is as follows:

	Year Ended December 31		
	2020	2019	2018
Statutory Income Tax	21.0 %	21.0 %	21.0 %
Net Operating Loss Carryback	(3.8)	—	—
Deemed Repatriation Tax on Foreign Earnings and Profit	—	—	1.8
Tax Exempt Income	(0.8)	(0.5)	(1.3)
Tax Credits	(1.3)	(1.1)	(2.4)
Policyholder Reserves	0.7	—	(2.4)
Other Items, Net	1.9	1.0	(0.1)
<b>Effective Tax</b>	<u>17.7 %</u>	<u>20.4 %</u>	<u>16.6 %</u>

Unum Group and Subsidiaries

Note 7 - Income Tax - Continued

Our net deferred tax asset (liability) consists of the following. Certain prior year amounts have been reclassified to conform to current year reporting.

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Deferred Tax Asset</b>		
Reserves	\$ 1,279.6	\$ 1,154.6
Employee Benefits	218.7	201.6
Other	52.9	19.4
Gross Deferred Tax Asset	1,551.2	1,375.6
Less: Valuation Allowance	14.5	28.3
Net Deferred Tax Asset	1,536.7	1,347.3
<b>Deferred Tax Liability</b>		
Deferred Acquisition Costs	185.5	115.6
Fixed Assets	74.7	58.5
Invested Assets	1,443.5	1,213.7
Cost of Reinsurance	180.4	10.8
Other	68.7	44.1
Gross Deferred Tax Liability	1,952.8	1,442.7
<b>Net Deferred Tax Asset (Liability)</b>	<b>\$ (416.1)</b>	<b>\$ (95.4)</b>

Unum Group and Subsidiaries

Note 7 - Income Tax - Continued

Our consolidated statements of income include amounts subject to both domestic and foreign taxation. The income and related tax expense (benefit) are as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Income Before Tax</b>			
Domestic	\$ 924.7	\$ 1,289.5	\$ 492.6
Foreign	39.3	92.6	135.2
<b>Total</b>	<b>\$ 964.0</b>	<b>\$ 1,382.1</b>	<b>\$ 627.8</b>
<b>Current Tax Expense (Benefit)</b>			
Federal	\$ (98.4)	\$ 273.6	\$ 194.6
State and Local	1.5	1.3	(0.6)
Foreign	(19.7)	(0.1)	33.4
<b>Total</b>	<b>(116.6)</b>	<b>274.8</b>	<b>227.4</b>
<b>Deferred Tax Expense (Benefit)</b>			
Federal	250.5	(9.5)	(114.6)
State and Local	1.0	(0.1)	(0.2)
Foreign	36.1	16.6	(8.2)
<b>Total</b>	<b>287.6</b>	<b>7.0</b>	<b>(123.0)</b>
<b>Total Tax Expense</b>	<b>\$ 171.0</b>	<b>\$ 281.8</b>	<b>\$ 104.4</b>

On December 22, 2017, the U.S. Federal government enacted the TCJA, which reduced the federal corporate tax rate from 35 percent to 21 percent effective January 1, 2018. The Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 (SAB 118) allowing a one-year measurement period after the enactment date of TCJA to finalize the calculation and record the related tax impacts. We finalized and recorded adjustments to our initial estimates during 2018. As a result of guidance from the Internal Revenue Service (IRS), we recorded additional deemed repatriation transition tax on accumulated foreign E&P of \$11.5 million, for a total of \$77.9 million. We recorded no other material changes to our calculations of the impact of the TCJA during the one-year measurement period after the enactment period as allowed by SAB 118. In 2020, we recorded a tax benefit of \$36.5 million for 2020 tax losses that will be carried back to a 35 percent tax year pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

On July 22, 2020, the Finance Bill 2019-21 was enacted, resulting in a U.K. tax rate increase from 17 percent to 19 percent, retroactively effective April 1, 2020, which resulted in tax expense of \$9.3 million for the revaluation of our tax assets and liabilities, primarily deferred tax liabilities related to policyholder reserves. As of December 31, 2020, our plans for the future repatriations of cash from our foreign subsidiaries can include no more than the amount of capital above that which is required by U.K. regulatory capital requirements. The remainder of our investment in our foreign subsidiaries is indefinitely reinvested and we have not recorded any deferred taxes on the approximately \$0.7 billion of the excess of the U.S. GAAP carrying values over the tax basis of investments in our foreign subsidiaries.

Unum Group and Subsidiaries

Note 7 - Income Tax - Continued

Our consolidated statements of income include the following changes in unrecognized tax benefits.

	December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Balance at Beginning of Year</b>	\$ 241.0	\$ 262.2	\$ 1.4
Increases (Decreases) for Tax Positions Related to Prior Years	(21.0)	(21.1)	261.5
Lapse of the Applicable Statute of Limitations	(0.3)	(0.1)	(0.7)
<b>Balance at End of Year</b>	219.7	241.0	262.2
Less Tax Attributable to Temporary Items Included Above	(105.9)	(127.1)	(148.2)
<b>Total Unrecognized Tax Benefits That if Recognized Would Affect the Effective Tax Rate</b>	<u>\$ 113.8</u>	<u>\$ 113.9</u>	<u>\$ 114.0</u>

In 2018, we recorded \$261.1 million gross unrecognized tax benefits for a policyholder reserves position taken on our 2017 federal tax return, which if recognized, would decrease our tax expense by \$112.9 million. The balances of unrecognized tax benefits for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility are \$105.9 million at December 31, 2020, \$127.1 million at December 31, 2019, and \$148.2 million at December 31, 2018. It is reasonably possible that this item could reverse in the next 12 months following review by the IRS. We recognize interest expense and penalties, if applicable, related to unrecognized tax benefits in tax expense. We recognized \$7.8 million and \$12.8 million of interest expense related to unrecognized tax benefits during 2020 and 2019, respectively, and a de minimis amount in 2018. The liability for net interest expense on uncertain tax positions was approximately \$20.6 million and \$12.8 million as of December 31, 2020 and 2019, respectively, and a de minimis amount in 2018.

We file federal and state income tax returns in the United States and in foreign jurisdictions. Tax years subsequent to 2014 remain subject to examination by the IRS. Tax years subsequent to 2016 remain subject to examination by the IRS for the subsidiaries not included in the consolidated tax return. All other major foreign jurisdictions remain subject to examination for tax years subsequent to 2018 with the exception of Poland for which tax years subsequent to 2014 remain subject to examination. We believe sufficient provision has been made for all potential adjustments for years that are not closed by the statute of limitations in all major tax jurisdictions and that any such adjustments would not have a material adverse effect on our financial position, liquidity, or results of operations.

We file state income tax returns in nearly every state in the United States. Tax years subsequent to 2015 remain subject to examination depending on the statute of limitation established by the various states, which is generally three to four years.

We have no accumulated federal net operating loss carryforwards as of December 31, 2020. Our federal capital loss carryforward, related to subsidiaries not included in the consolidated U.S. federal return, was \$0.6 million at December 31, 2020 and is expected to be utilized by the time it expires in 2022. We have net operating loss carryforwards for state and local income tax of approximately \$191 million, most of which is expected to expire unused between 2021 and 2040.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. Our valuation allowance was \$14.5 million and \$28.3 million at December 31, 2020 and 2019, the majority of which related to our cumulative deferred state income tax benefits. The de minimis remaining amount of our valuation allowance relates to unrealized tax losses on buildings which we own and occupy in the U.K. We recorded a decrease in our valuation allowance of \$13.8 million during 2020 and an increase of \$9.9 million in 2019, primarily in other comprehensive income.

Total income taxes paid net of refunds during 2020, 2019, and 2018 were \$200.0 million, \$35.1 million, and \$139.7 million, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 8 - Debt**

Debt consists of the following:

	Interest Rates	Maturities	December 31	
			2020	2019
(in millions of dollars)				
<b>Long-term Debt</b>				
Outstanding Principal				
Senior Secured Notes issued 2007	Variable	2037	\$ —	\$ 80.0
Senior Notes issued 1998	6.750 - 7.250%	2028	335.8	335.8
Senior Notes issued 2002	7.375%	2032	39.5	39.5
Senior Notes issued 2012 and 2016	5.750%	2042	500.0	500.0
Senior Notes issued 2014	4.000%	2024	350.0	350.0
Senior Notes issued 2015	3.875%	2025	275.0	275.0
Senior Notes issued 2019	4.000%	2029	400.0	400.0
Senior Notes issued 2019	4.500%	2049	450.0	450.0
Senior Notes issued 2020	4.500%	2025	500.0	—
Medium-term Notes issued 1990 - 1996	7.000 - 7.190%	2023 - 2028	20.5	20.5
Junior Subordinated Debt Securities issued 1998	7.405%	2038	203.7	203.7
Junior Subordinated Debt Securities issued 2018	6.250%	2058	300.0	300.0
Fair Value Hedge Adjustment			—	(0.6)
Less:				
Unamortized Net Premium			6.0	8.4
Unamortized Debt Issuance Costs			(34.8)	(35.4)
<b>Total Long-term Debt</b>			<b>3,345.7</b>	<b>2,926.9</b>
<b>Short-term Debt</b>				
Outstanding Principal				
Senior Notes issued 2010	5.625%	2020	—	400.0
Less Unamortized Debt Issuance Costs			—	(0.3)
<b>Total Short-term Debt</b>			<b>—</b>	<b>399.7</b>
<b>Total Debt</b>			<b>\$ 3,345.7</b>	<b>\$ 3,326.6</b>

Collateralized debt is comprised of our senior secured notes and ranks highest in priority, followed by unsecured notes, which consist of senior notes and medium-term notes, followed by junior subordinated debt securities. The medium-term notes are non-callable and the junior subordinated debt securities are callable under limited, specified circumstances. The remaining debt is callable and may be redeemed, in whole or in part, at any time.

The aggregate contractual principal maturities are \$2.0 million in 2023, \$350.0 million in 2024, \$775.0 million in 2025, and \$2,247.5 million thereafter.

**Senior Secured Notes**

In 2007, Northwind Holdings, LLC (Northwind Holdings), a wholly-owned subsidiary of Unum Group, issued \$800.0 million of insured, senior secured notes, bearing interest at a floating rate equal to the three month LIBOR plus 0.78% (the Northwind notes) in a private offering.

***Unum Group and Subsidiaries***

**Note 8 - Debt - Continued**

Northwind Holdings made periodic principal payments on the Northwind notes of \$45.0 million in 2020 and \$60.0 million in both 2019 and 2018. In December 2020, Northwind Holdings redeemed the remaining \$35.0 million of principal on the Northwind notes, and was released of any contractual collateral requirements.

***Unsecured Notes***

In September 2020, our \$400.0 million 5.625% senior unsecured notes matured.

In May 2020, we issued \$500.0 million of 4.500% senior notes due 2025. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

During 2019 we purchased and retired (i) \$30.3 million aggregate principal amount of our 7.190% medium-term notes due 2028; (ii) \$30.0 million aggregate principal amount of our 7.250% senior notes due 2028; and (iii) \$350.0 million aggregate principal amount of our 3.000% senior notes due 2021.

In September 2019, we issued \$450.0 million of 4.500% senior notes due 2049. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In June 2019, we issued \$400.0 million of 4.000% senior notes due 2029. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In July 2018, our \$200.0 million 7.000% senior unsecured notes matured.

***Fair Value Hedges***

As of December 31, 2019, we had \$250.0 million notional amount of an interest rate swap which effectively converted certain of our unsecured senior notes into floating rate debt. Under this agreement, we received a fixed rate of interest and paid a variable rate of interest, based off of three-month LIBOR. During 2020, the \$250.0 million notional amount of the interest rate swap matured in conjunction with the maturity of the hedged debt. See Note 4 for further information on the interest rate swap.

***Junior Subordinated Debt Securities***

In May 2018, we issued \$300.0 million of 6.250% junior subordinated notes due 2058. The notes are redeemable at or above par on or after June 15, 2023 and rank equally in the right of payment with our other junior subordinated debt securities.

In 1998, Provident Financing Trust I (the Trust), a 100 percent-owned finance subsidiary of Unum Group, issued \$300.0 million of 7.405% capital securities due 2038 in a public offering. These capital securities are fully and unconditionally guaranteed by Unum Group, have a liquidation value of \$1,000 per capital security, and have a mandatory redemption feature under certain circumstances. In connection with the capital securities offering, Unum Group issued to the Trust 7.405% junior subordinated deferrable interest debentures due 2038. The Trust is a variable interest entity of which Unum Group is not the primary beneficiary. Accordingly, the capital securities issued by the Trust are not included in our consolidated financial statements and our liability represents the junior subordinated debt securities owed to the trust which is recorded in long-term debt. The sole assets of the Trust are the junior subordinated debt securities. The retirement of any liquidation amount regarding the capital securities by the Trust results in a corresponding retirement of principal amount of the junior subordinated debt securities.

During 2019, the Trust purchased and retired \$22.8 million aggregate liquidation amount of the 7.405% capital securities due 2038, which resulted in our purchase and retirement of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038.

***Cost Related to Early Retirement of Debt***

During 2019, we incurred costs of \$27.3 million related to the early retirement of certain of our unsecured notes and junior subordinated debt securities as previously discussed.

***Unum Group and Subsidiaries***

**Note 8 - Debt - Continued**

***Interest Paid***

Interest paid on long-term and short-term debt and related securities during 2020, 2019, and 2018 was \$178.1 million, \$172.9 million, and \$167.3 million, respectively.

***Credit Facilities***

We have access to two separate unsecured revolving credit facilities, each with a different syndicate of lenders. One of our credit facilities is under a five-year agreement and is effective through April 2024. The terms of this agreement provide for a borrowing capacity of \$500.0 million with an option to be increased up to \$700.0 million. We may also request, on up to two occasions, that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, letters of credit totaling \$0.6 million had been issued from this credit facility, but there were no borrowed amounts outstanding.

Our other credit facility is under a three-year agreement and is effective until April 2022. The terms of this agreement provide for a borrowing capacity of \$100.0 million with an option to be increased up to \$140.0 million. We may also request that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, there have been no letters of credit issued from the credit facility and there were no borrowed amounts outstanding.

Borrowings under the credit facilities are for general corporate uses and are subject to financial covenants, negative covenants, and events of default that are customary. The two primary financial covenants include limitations based on our leverage ratio and consolidated net worth. We are also subject to covenants that limit subsidiary indebtedness. The credit facilities provide for borrowings at an interest rate based either on the prime rate or LIBOR.

**Note 9 - Employee Benefit Plans**

***Defined Benefit Pension and Other Postretirement Benefit (OPEB) Plans***

We sponsor several defined benefit pension and OPEB plans for our employees, including non-qualified pension plans. The U.S. qualified and non-qualified defined benefit pension plans comprise the majority of our total benefit obligation and benefit cost. We maintain a separate defined benefit plan for eligible employees in our U.K. operation. The U.S. defined benefit pension plans were closed to new entrants on December 31, 2013, the OPEB plan was closed to new entrants on December 31, 2012, and the U.K. plan was closed to new entrants on December 31, 2002.

***U.S. Pension Plan Annuity Purchases***

On December 26, 2019, we purchased a group annuity contract which transferred a portion of our U.S. qualified defined benefit pension plan obligation to a third party. Under the transaction, which was funded with plan assets, we transferred the responsibility for pension benefits and annuity administration for approximately 1,900 retirees or their beneficiaries receiving less than \$350 in monthly benefit payments from the plan. This transfer resulted in a reduction in our U.S. qualified defined benefit pension plan obligation of \$59.5 million at December 31, 2019 and is reflected in the Benefits and Expenses Paid line item within the following table regarding changes in our benefit obligation.

On January 2, 2020, in a separate transaction, we purchased a second group annuity contract which transferred an additional portion of our U.S. qualified defined benefit pension plan obligation to the same third party. Under the transaction, which was funded with plan assets, we transferred the responsibility for pension benefits and annuity administration for approximately 600 retirees or their beneficiaries receiving between \$350 and \$500 in monthly benefit payments from the plan. This transfer resulted in a reduction in our U.S. qualified benefit pension plan obligation of \$44.0 million at December 31, 2020 and is reflected in the Benefits and Expenses Paid line item within the following table regarding changes in our benefit obligation.



Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

Amortization Period of Actuarial Gain or Loss and Prior Service Cost or Credit

Because all participants in the U.S. and U.K. pension plans are considered inactive, we amortize the net actuarial loss and prior service credit for these plans over the average remaining life expectancy of the plans. As of December 31, 2020, the estimate of the average remaining life expectancy of the plans was approximately 25 years for the U.S. plan and 31 years for U.K. plan.

The following table provides the changes in the benefit obligation and fair value of plan assets and the funded status of the plans.

	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2020	2019	2020	2019	2020	2019
	(in millions of dollars)					
<b>Change in Benefit Obligation</b>						
<b>Benefit Obligation at Beginning of Year</b>	\$ 2,106.9	\$ 1,933.3	\$ 256.9	\$ 211.0	\$ 127.2	\$ 125.9
Service Cost	11.0	10.9	—	—	—	—
Interest Cost	73.0	83.3	4.9	6.1	4.1	5.3
Plan Participant Contributions	—	—	—	—	0.1	0.2
Actuarial (Gain) Loss <sup>(1)</sup>	212.4	225.7	33.8	34.9	(0.3)	7.0
Benefits and Expenses Paid	(126.1)	(146.3)	(5.1)	(4.8)	(10.6)	(11.2)
Curtailment Gain	—	—	(0.7)	—	—	—
Change in Foreign Exchange Rates	—	—	10.2	9.7	—	—
<b>Benefit Obligation at End of Year</b>	<u>\$ 2,277.2</u>	<u>\$ 2,106.9</u>	<u>\$ 300.0</u>	<u>\$ 256.9</u>	<u>\$ 120.5</u>	<u>\$ 127.2</u>
<b>Accumulated Benefit Obligation at December 31</b>	<u>\$ 2,277.2</u>	<u>\$ 2,106.9</u>	<u>\$ 297.5</u>	<u>\$ 253.1</u>	N/A	N/A
<b>Change in Fair Value of Plan Assets</b>						
<b>Fair Value of Plan Assets at Beginning of Year</b>	\$ 1,600.0	\$ 1,454.9	\$ 252.8	\$ 217.0	\$ 9.9	\$ 10.1
Actual Return on Plan Assets	227.9	282.7	36.4	31.0	0.1	0.2
Employer Contributions	9.1	8.7	—	—	9.8	10.6
Plan Participant Contributions	—	—	—	—	0.1	0.2
Benefits and Expenses Paid	(126.1)	(146.3)	(5.1)	(4.8)	(10.6)	(11.2)
Change in Foreign Exchange Rates	—	—	10.0	9.6	—	—
<b>Fair Value of Plan Assets at End of Year</b>	<u>\$ 1,710.9</u>	<u>\$ 1,600.0</u>	<u>\$ 294.1</u>	<u>\$ 252.8</u>	<u>\$ 9.3</u>	<u>\$ 9.9</u>
<b>Underfunded Status</b>	<u>\$ 566.3</u>	<u>\$ 506.9</u>	<u>\$ 5.9</u>	<u>\$ 4.1</u>	<u>\$ 111.2</u>	<u>\$ 117.3</u>

<sup>(1)</sup> The actuarial losses recognized for the U.S. and U.K. pension plans were primarily driven by decreases in the discount rate assumption.

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

The amounts recognized in our consolidated balance sheets for our pension and OPEB plans at December 31, 2020 and 2019 are as follows.

	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2020	2019	2020	2019	2020	2019
	(in millions of dollars)					
Current Liability	\$ 8.0	\$ 7.7	\$ —	\$ —	\$ 1.5	\$ 1.5
Noncurrent Liability	558.3	499.2	5.9	4.1	109.7	115.8
Noncurrent Asset	—	—	—	—	—	—
<b>Underfunded Status</b>	<b>\$ 566.3</b>	<b>\$ 506.9</b>	<b>\$ 5.9</b>	<b>\$ 4.1</b>	<b>\$ 111.2</b>	<b>\$ 117.3</b>
Unrecognized Pension and Postretirement Benefit Costs						
Net Actuarial Gain (Loss)	\$ (767.9)	\$ (695.4)	\$ (70.5)	\$ (63.1)	\$ 11.0	\$ 11.1
Prior Service Credit (Cost)	(0.6)	(0.7)	(0.2)	(0.3)	2.9	3.1
	(768.5)	(696.1)	(70.7)	(63.4)	13.9	14.2
Income Tax	273.9	240.7	16.0	14.5	5.4	5.3
<b>Comprehensive Income (Loss)</b>	<b>\$ (494.6)</b>	<b>\$ (455.4)</b>	<b>\$ (54.7)</b>	<b>\$ (48.9)</b>	<b>\$ 19.3</b>	<b>\$ 19.5</b>

The following table provides the changes recognized in other comprehensive income for the years ended December 31, 2020 and 2019.

	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2020	2019	2020	2019	2020	2019
	(in millions of dollars)					
<b>Accumulated Other Comprehensive Income (Loss) at Beginning of Year</b>	<b>\$ (455.4)</b>	<b>\$ (437.3)</b>	<b>\$ (48.9)</b>	<b>\$ (37.3)</b>	<b>\$ 19.5</b>	<b>\$ 27.4</b>
Net Actuarial Gain (Loss)						
Amortization	18.7	20.2	1.1	0.9	—	(2.5)
All Other Changes	(91.2)	(43.0)	(8.5)	(15.1)	(0.1)	(7.3)
Prior Service Credit (Cost)						
Amortization	0.1	—	—	—	(0.2)	(0.2)
Curtailment Gain	—	—	0.1	—	—	—
Change in Income Tax	33.2	4.7	1.5	2.6	0.1	2.1
<b>Accumulated Other Comprehensive Income (Loss) at End of Year</b>	<b>\$ (494.6)</b>	<b>\$ (455.4)</b>	<b>\$ (54.7)</b>	<b>\$ (48.9)</b>	<b>\$ 19.3</b>	<b>\$ 19.5</b>

Plan Assets

The objective of our U.S. pension and OPEB plans is to maximize long-term return, within acceptable risk levels, in a manner that is consistent with the fiduciary standards of the Employee Retirement Income Security Act (ERISA), while maintaining sufficient liquidity to pay current benefits and expenses.

Our U.S. qualified defined benefit pension plan assets include a diversified blend of domestic, international, global, and emerging market equity securities, fixed income securities, opportunistic credit securities, real estate investments, alternative investments, and cash equivalents. Equity securities are comprised of funds and individual securities that are benchmarked against the respective indices specified below. International and global equity funds may allocate a certain percentage of assets to forward currency contracts. Fixed income securities include U.S. government and agency asset-backed securities, corporate investment-grade bonds, private placement securities, and bonds issued by states or other municipalities. Opportunistic credits consist of investments in funds that hold varied fixed income investments purchased at depressed values with the intention to

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

later sell those investments for a gain. Real estate investments consist primarily of funds that hold commercial real estate investments. Alternative investments, which include private equity direct investments, private equity funds of funds, and hedge funds of funds, utilize proprietary strategies that are intended to have a low correlation to the U.S. stock market. Prohibited investments include, but are not limited to, unlisted securities, options, short sales, and investments in securities issued by Unum Group or its affiliates. The invested asset classes, asset types, and benchmark indices for our U.S. qualified defined benefit pension plan is as follows. We target approximately 36 percent to equity securities, 40 percent to fixed income securities, and 24 percent to opportunistic credits, alternative, and real estate investments.

Asset Class	Asset Type	Benchmark Indices
Equity Securities	Collective funds; Individual holdings	Standard & Poor's 500; Russell 2000 Value and Growth; Morgan Stanley Capital International (MSCI) Europe Australasia Far East Small Cap; MSCI Emerging Markets; MSCI World and World Minimum Volatility; FTSE RAFI All-World Low Volatility
Fixed Income	Individual holdings	Bloomberg Barclays Long Government/Corporate Index
Opportunistic Credits	Collective fund	Custom Index
Real Estate	Collective fund	National Council of Real Estate Investment Fund Open-end Diversified Core Equity Index
Alternative Investments (Hedge and Private Equity)	Fund of funds; Direct investments	Hedge Fund Research Institute Fund of Funds; Custom Index

Assets for our U.K. pension plan are primarily invested in a pooled diversified growth fund. This fund invests in assets such as global equities, hedge funds, commodities, below-investment-grade fixed income securities, and currencies. The objectives of the fund are to generate capital appreciation over the course of a complete economic and market cycle and to deliver equity-like returns in the medium-to-long term while maintaining approximately two thirds of the volatility of equity markets. Performance of this fund is measured against LIBOR plus four and a half percent. The remaining assets in the U.K. plan are invested in leveraged interest rate and inflation gilt funds of varying durations designed to broadly match the interest rate and inflation sensitivities of the plan's liabilities. The current target allocation for the assets is 65 percent diversified growth assets and 35 percent interest rate and inflation gilt funds. There are no categories of investments that are specifically prohibited by the U.K. plan, but there are general guidelines that ensure prudent investment action is taken. Such guidelines include the prevention of the plan from using derivatives for speculative purposes and limiting the concentration of risk in any one type of investment.

Assets for the OPEB plan are invested in life insurance contracts issued by one of our insurance subsidiaries. The assets support life insurance benefits payable to certain former retirees covered under the OPEB plan. The terms of these contracts are consistent in all material respects with those the subsidiary offers to unaffiliated parties that are similarly situated. There are no categories of investments specifically prohibited by the OPEB plan.

We believe our investment portfolios are well diversified by asset class and sector, with no undue risk concentrations in any one category.

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

The categorization of fair value measurements by input level for the invested assets in our U.S. pension plans is shown below. The carrying values of investment-related receivables and payables approximate fair value due to the short-term nature of the securities and are not included in the following chart. Investments valued using net asset value (NAV) as a practical expedient are not required to be categorized by input level, but these investments are included as follows to reconcile to total invested assets.

	December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	Total
	(in millions of dollars)				
<b>Invested Assets</b>					
Equity Securities:					
U.S. Large Cap	\$ —	\$ —	\$ —	\$ 112.6	\$ 112.6
U.S. Small Cap	25.8	—	—	33.2	59.0
Global	—	—	—	307.9	307.9
International	—	—	—	31.6	31.6
Emerging Markets	—	—	—	62.3	62.3
Fixed Income Securities:					
U.S. Government and Agencies	227.8	—	—	—	227.8
Corporate	—	445.6	—	—	445.6
State and Municipal Securities	—	3.7	—	—	3.7
Opportunistic Credits	—	—	—	200.4	200.4
Real Estate	—	—	—	108.9	108.9
Alternative Investments:					
Private Equity Direct Investments	—	—	—	62.1	62.1
Private Equity Funds of Funds	—	—	—	39.2	39.2
Cash Equivalents	46.3	—	—	—	46.3
<b>Total Invested Assets</b>	<b>\$ 299.9</b>	<b>\$ 449.3</b>	<b>\$ —</b>	<b>\$ 958.2</b>	<b>\$ 1,707.4</b>

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

	December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	Total
	(in millions of dollars)				
<b>Invested Assets</b>					
Equity Securities:					
U.S. Large Cap	\$ —	\$ —	\$ —	\$ 95.2	\$ 95.2
U.S. Small Cap	23.0	—	—	24.8	47.8
Global	—	—	—	299.1	299.1
International	—	—	—	28.3	28.3
Emerging Markets	—	—	—	50.4	50.4
Fixed Income Securities:					
U.S. Government and Agencies	199.0	—	—	—	199.0
Corporate	—	391.1	—	—	391.1
State and Municipal Securities	—	2.5	—	—	2.5
Opportunistic Credits	—	—	—	196.5	196.5
Real Estate	—	—	—	108.4	108.4
Alternative Investments:					
Private Equity Direct Investments	—	—	—	57.7	57.7
Private Equity Funds of Funds	—	—	—	38.4	38.4
Cash Equivalents	82.4	—	—	—	82.4
<b>Total Invested Assets</b>	<b>\$ 304.4</b>	<b>\$ 393.6</b>	<b>\$ —</b>	<b>\$ 898.8</b>	<b>\$ 1,596.8</b>

Level 1 investments consist of individual holdings that are valued based on unadjusted quoted prices from active markets for identical securities. Level 2 investments consist of individual holdings that are valued using observable inputs through market corroborated pricing.

Certain equity, opportunistic credit, and real estate investments are valued based on the NAV of the underlying holdings. We made no adjustments to the NAV for 2020 or 2019. These investments have no unfunded commitments and no specific redemption restrictions.

Alternative investments are valued based on NAV in a period ranging from one month to one quarter in arrears. We evaluate the need for adjustments to the NAV based on market conditions and discussions with fund managers in the period subsequent to the valuation date and prior to issuance of the financial statements. We made no adjustments to the NAV for 2020 or 2019. The private equity direct investments and private equity funds of funds generally cannot be redeemed by investors. Distributions of capital from the sale of underlying fund assets may occur at any time, but are generally concentrated between five and eight years from the formation of the fund.

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

The categorization of fair value measurements by input level for the invested assets in our U.K. pension plan is shown below. Investments valued using NAV as a practical expedient are not required to be categorized by input level, but these investments are included as follows to reconcile to total invested assets.

	December 31, 2020				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	
	(in millions of dollars)				
<b>Plan Assets</b>					
Diversified Growth Assets	\$ —	\$ —	\$ —	\$ 176.0	\$ 176.0
Fixed Interest and Index-linked Securities	116.8	—	—	—	116.8
Cash Equivalents	1.3	—	—	—	1.3
<b>Total Plan Assets</b>	<b>\$ 118.1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 176.0</b>	<b>\$ 294.1</b>

	December 31, 2019				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	
	(in millions of dollars)				
<b>Plan Assets</b>					
Diversified Growth Assets	\$ —	\$ —	\$ —	\$ 163.0	\$ 163.0
Fixed Interest and Index-linked Securities	89.6	—	—	—	89.6
Cash Equivalents	0.2	—	—	—	0.2
<b>Total Plan Assets</b>	<b>\$ 89.8</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 163.0</b>	<b>\$ 252.8</b>

Level 1 fixed interest and index-linked securities consist of individual funds that are valued based on unadjusted quoted prices from active markets for identical securities. Diversified growth assets are valued based on the NAV of the underlying holdings. We made no adjustments to the NAV for 2020 or 2019. These investments have no unfunded commitments and no specific redemption restrictions.

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

The categorization of fair value measurements by input level for the assets in our OPEB plan is as follows:

December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions of dollars)				
<b>Assets</b>				
Life Insurance Contracts	\$ —	\$ —	\$ 9.3	\$ 9.3

December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in millions of dollars)				
<b>Assets</b>				
Life Insurance Contracts	\$ —	\$ —	\$ 9.9	\$ 9.9

The fair value is represented by the actuarial present value of future cash flows of the contracts.

Changes in our OPEB plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2020 and 2019 are as follows:

Year Ended December 31, 2020					
	Beginning of Year	Actual Return on Plan Assets	Contributions	Net Benefits and Expenses Paid	End of Year
(in millions of dollars)					
Life Insurance Contracts	\$ 9.9	\$ 0.1	\$ 9.9	\$ (10.6)	\$ 9.3

Year Ended December 31, 2019					
	Beginning of Year	Actual Return on Plan Assets	Contributions	Net Benefits and Expenses Paid	End of Year
(in millions of dollars)					
Life Insurance Contracts	\$ 10.1	\$ 0.2	\$ 10.8	\$ (11.2)	\$ 9.9

For the years ended December 31, 2020 and 2019, the actual return on plan assets relates solely to investments still held at the reporting date. There were no transfers into or out of Level 3 during 2020 or 2019.

Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

Measurement Assumptions

We use a December 31 measurement date for each of our plans. The weighted average assumptions used in the measurement of our benefit obligations as of December 31 and our net periodic benefit costs for the years ended December 31 are as follows:

	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2020	2019	2020	2019	2020	2019
<b>Benefit Obligations</b>						
Discount Rate	2.90 %	3.60 %	1.40 %	2.00 %	2.60 %	3.40 %
Rate of Compensation Increase	N/A	N/A	2.80 %	2.90 %	N/A	N/A
<b>Net Periodic Benefit Cost</b>						
Discount Rate	3.60 %	4.40 %	2.00 %	2.90 %	3.40 %	4.40 %
Expected Return on Plan Assets	7.00 %	7.00 %	4.10 %	4.30 %	5.75 %	5.75 %
Rate of Compensation Increase	N/A	N/A	2.90 %	3.70 %	N/A	N/A

We set the discount rate assumption annually for each of our retirement-related benefit plans at the measurement date to reflect the yield on a portfolio of high quality fixed income corporate debt instruments matched against the projected cash flows for future benefits.

Our long-term rate of return on plan assets assumption is selected from a range of probable return outcomes from an analysis of the asset portfolio. Our expectations for the future investment returns of the asset categories are based on a combination of historical market performance, evaluations of investment forecasts obtained from external consultants and economists, and current market yields. The methodology underlying the return assumption includes the various elements of the expected return for each asset class such as long-term rates of return, volatility of returns, and the correlation of returns between various asset classes. The expected return for the total portfolio is calculated based on the plan's strategic asset allocation. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition.

Our mortality rate assumption reflects our best estimate, as of the measurement date, of the life expectancies of plan participants in order to determine the expected length of time for benefit payments. We derive our assumptions from industry mortality tables.

The expected return assumption for the life insurance reserve for our OPEB plan is based on full investment in fixed income securities with an average book yield of 4.87 percent and 4.74 percent in 2020 and 2019, respectively.

The rate of compensation increase assumption for our U.K. pension plan is generally based on periodic studies of compensation trends.

At December 31, 2020 and 2019, the annual rates of increase in the per capita cost of covered postretirement health care benefits assumed for the next calendar year are 6.50 percent for benefits payable to both retirees prior to Medicare eligibility as well as Medicare eligible retirees. The rates are assumed to change gradually to 5.00 percent by 2027 for measurement at December 31, 2020 and remain at that level thereafter. The annual rates of increase in the per capita cost of covered postretirement health benefits do not apply to retirees whose postretirement health care benefits are provided through an exchange.



Unum Group and Subsidiaries

Note 9 - Employee Benefit Plans - Continued

Net Periodic Benefit Cost

The following table provides the components of the net periodic benefit cost (credit) for the years ended December 31.

	Pension Benefits								
	U.S. Plans			U.K. Plan			OPEB		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	(in millions of dollars)								
Service Cost	\$ 11.0	\$ 10.9	\$ 9.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest Cost	73.0	83.3	79.8	4.9	6.1	5.9	4.1	5.3	4.9
Expected Return on Plan Assets	(106.7)	(99.4)	(104.5)	(9.5)	(8.9)	(8.9)	(0.5)	(0.6)	(0.6)
Amortization of:									
Net Actuarial Loss (Gain)	18.7	20.2	21.7	1.1	0.9	0.6	—	(2.5)	—
Prior Service Credit	0.1	—	—	—	—	—	(0.2)	(0.2)	(0.2)
Curtailment Gain	—	—	—	0.1	—	—	—	—	—
Total Net Periodic Benefit Cost	<u>\$ (3.9)</u>	<u>\$ 15.0</u>	<u>\$ 6.1</u>	<u>\$ (3.4)</u>	<u>\$ (1.9)</u>	<u>\$ (2.4)</u>	<u>\$ 3.4</u>	<u>\$ 2.0</u>	<u>\$ 4.1</u>

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

Benefit Payments

The following table provides expected benefit payments, which reflect expected future service, as appropriate.

Year	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	(in millions of dollars)					
	Gross	Subsidy Payments	Net			
2021	\$ 75.0	\$ 6.1	\$ 11.1	\$ 0.1	\$ 11.0	
2022	78.4	6.1	10.5	0.1	10.4	
2023	82.2	6.5	10.0	0.1	9.9	
2024	86.1	7.0	9.5	0.1	9.4	
2025	90.1	7.2	9.0	0.1	8.9	
2026-2030	514.9	42.3	38.3	0.2	38.1	

Funding Policy

The funding policy for our U.S. qualified defined benefit plan is to contribute annually an amount at least equal to the minimum annual contribution required under ERISA and other applicable laws, but generally not greater than the maximum amount that can be deducted for federal income tax purposes. We had no regulatory contribution requirements for our U.S. qualified defined benefit plan in 2020 and made a de minimis amount of voluntary contributions during 2020. We do not expect to make any contributions in 2021. The funding policy for our U.S. non-qualified defined benefit pension plan is to contribute the amount of the benefit payments made during the year. Our expected return on plan assets and discount rate will not affect the cash contributions we are required to make to our U.S. pension plan because such contributions are determined under the minimum funding requirements as set forth in ERISA.

Unum Group and Subsidiaries

**Note 9 - Employee Benefit Plans - Continued**

We made no contributions to our U.K. plan during 2020, nor do we expect to make any contributions in 2021, either voluntary or those required to meet the minimum funding requirements under U.K. legislation.

Our OPEB plan represents a non-vested, non-guaranteed obligation, and current regulations do not require specific funding levels for these benefits, which are comprised of retiree life, medical, and dental benefits. It is our practice to use general assets to pay medical and dental claims as they come due in lieu of utilizing plan assets for the medical and dental benefit portions of our OPEB plan.

**Defined Contribution Plans**

We offer a 401(k) plan to all eligible U.S. employees under which a portion of employee contributions is matched. We match dollar-for-dollar up to 5.0 percent of base salary and any recognized sales and performance-based incentive compensation for employee contributions into the plan. We also make an additional non-elective contribution of 4.5 percent of earnings for all eligible employees and a separate transition contribution for eligible employees who met certain age and years of service criteria as of December 31, 2013. The separate transition contributions continued through December 31, 2020, at which point they expired. The 401(k) plan remains in compliance with ERISA guidelines and continues to qualify for a “safe harbor” from annual discrimination testing.

We also offer a defined contribution plan to all eligible U.K. employees under which a portion of employee contributions is matched. We match two pounds for every one pound on the first 1.0 percent of employee contributions into the plan and match additional employee contributions pound-for-pound up to 5.0 percent of base salary. We also make an additional non-elective contribution of 6.0 percent of base salary for all eligible employees who met certain age and years of service criteria as of March 31, 2016.

During the years ended December 31, 2020, 2019, and 2018, we recognized costs of \$83.4 million, \$77.3 million, and \$72.7 million, respectively, for our U.S. defined contribution plan. We recognized costs of \$5.0 million, \$4.4 million, and \$4.2 million in 2020, 2019, and 2018, respectively, for our U.K. defined contribution plan.

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

**Earnings Per Common Share**

Net income per common share is determined as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars, except share data)		
<b>Numerator</b>			
<b>Net Income</b>	\$ 793.0	\$ 1,100.3	\$ 523.4
<b>Denominator (000s)</b>			
Weighted Average Common Shares - Basic	203,642.0	209,728.9	219,635.6
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	113.3	125.5	423.0
<b>Weighted Average Common Shares - Assuming Dilution</b>	<b>203,755.3</b>	<b>209,854.4</b>	<b>220,058.6</b>
<b>Net Income Per Common Share</b>			
Basic	\$ 3.89	\$ 5.25	\$ 2.38
Assuming Dilution	\$ 3.89	\$ 5.24	\$ 2.38

Unum Group and Subsidiaries

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

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding for the period. In computing earnings per share assuming dilution, we include potential common shares that are dilutive (those that reduce earnings per share). We use the treasury stock method to account for the effect of outstanding stock options, nonvested stock success units, nonvested restricted stock units, and nonvested performance share units on the computation of diluted earnings per share. Under this method, the potential common shares from stock options, nonvested stock success units, and nonvested restricted stock units will each have a dilutive effect, as individually measured, when the average market price of Unum Group common stock during the period exceeds the exercise price of the stock options and the grant price of the nonvested stock success units and nonvested restricted stock units. Potential common shares from performance based share units will have a dilutive effect as the attainment of performance conditions is progressively achieved during the vesting period. Potential common shares not included in the computation of diluted earnings per share because the impact would be antidilutive, approximated 1.6 million, 1.1 million, and 0.6 million for the years ended December 31, 2020, 2019, and 2018, respectively. See Note 11 for further discussion of our stock-based compensation plans.

**Common Stock**

During the second quarter of 2019, our board of directors authorized the repurchase of up to \$750.0 million of Unum Group's outstanding common stock through November 23, 2020, at which point the authorization expired. This authorization replaced the previous authorization of \$750.0 million that was scheduled to expire on November 24, 2019. As of December 31, 2020, we did not authorize a new share repurchase program and there were no remaining amounts to be repurchased under either plan at December 31, 2020.

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

	Year Ended December 31		
	2020	2019	2018
	(in millions)		
Shares Repurchased	—	12.3	8.7
Cost of Shares Repurchased (1)	\$ —	\$ 400.4	\$ 350.7

(1) Includes commissions of \$0.4 million and \$0.7 million for the years ended December 31, 2019 and 2018, respectively.

**Preferred Stock**

Unum Group has 25.0 million shares of preferred stock authorized with a par value of \$0.10 per share. No preferred stock has been issued to date.

**Note 11 - Stock-Based Compensation**

**Description of Stock Plans**

Under the Stock Incentive Plan of 2017 (the 2017 Plan), up to 17 million shares of common stock are available for awards to our employees, officers, consultants, and directors. Awards may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units, and other stock-based awards. Each full-value award, defined as any award other than a stock option or stock appreciation right, is counted as 1.76 shares. The exercise price for stock options issued cannot be less than the fair value of the underlying common stock as of the grant date. Stock options generally have a term of eight years after the date of grant and fully vest after three years. At December 31, 2020, approximately 10.1 million shares were available for future grants under the 2017 Plan.

Under the Stock Incentive Plan of 2012 (the 2012 Plan), which was terminated in May 2017 for the purposes of any further grants, up to 20 million shares of common stock were available for awards to our employees, officers, consultants, and directors. Awards could be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units, and other stock-based awards. Each full-value award, defined as any award other than a stock option or stock appreciation

Unum Group and Subsidiaries

Note 11 - Stock-Based Compensation - Continued

right, is counted as 1.76 shares. Awards granted before the termination of the 2012 Plan remain outstanding in accordance with the plan's terms. Stock options generally have a term of eight years after the date of grant and fully vest after three years.

We issue new shares of common stock for all of our stock plan vestings and exercises.

Stock Success Units (SSUs)

Activity for SSUs classified as equity is as follows:

	Shares (000s)	Weighted Average Grant Date Fair Value
<b>Outstanding at December 31, 2019</b>	—	\$ —
Granted	321	18.78
<b>Outstanding at December 31, 2020</b>	<u>321</u>	<u>18.78</u>

During 2020, we issued SSUs with a weighted average grant date fair value per share of \$18.78. SSUs vest over a six year period, beginning at the date of grant, and the compensation cost is recognized ratably during the vesting period. SSUs are eligible for accelerated vesting at the end of the first, third, and fifth years of the service period if certain performance goals are achieved. Forfeitable dividends on SSUs are accrued in the form of cash. Compensation cost for SSUs subject to accelerated vesting due to the achievement of certain performance conditions at the end of the first, third, and fifth years of the service period is recognized over the implicit service period.

There were no shares that vested during 2020. At December 31, 2020, we had \$5.7 million of unrecognized compensation cost related to SSUs that will be recognized over a weighted average period of 2.9 years.

Performance Share Units (PSUs)

Activity for PSUs classified as equity is as follows:

	Shares (000s)	Weighted Average Grant Date Fair Value
<b>Outstanding at December 31, 2019</b>	337	\$ 44.11
Granted	323	23.49
Vested	(135)	48.20
Forfeited	(8)	35.81
<b>Outstanding at December 31, 2020</b>	<u>517</u>	<u>30.31</u>

During 2020, 2019, and 2018, we issued PSUs with a weighted average grant date fair value per share of \$23.49, \$41.57, and \$44.19, respectively. Vesting for the PSUs occurs at the end of a three-year period and is contingent upon our achievement of prospective company performance goals and our total shareholder return relative to a board-approved peer group during the three-year period. Actual performance, including modification for relative total shareholder return, may result in the ultimate award of 40 to 180 percent of the initial number of PSUs issued, with the potential for no award if company performance goals are not achieved during the three-year period. Forfeitable dividend equivalents on PSUs have previously been accrued in the form of additional PSUs. Beginning with the March 1, 2020 grant, forfeitable dividends are accrued as cash.

PSU shares in the preceding table represent aggregate initial target awards and accrued dividend equivalents and do not reflect potential increases or decreases resulting from the application of the performance factor determined after the end of the performance periods. At December 31, 2020, the three-year performance period for the 2018 PSU grant was completed and the related shares vested, but the performance factor had not yet been applied. The performance factor will be applied during the first quarter of 2021, with distribution of the stock at that time. Granted and vested amounts in the preceding table also include

Unum Group and Subsidiaries

Note 11 - Stock-Based Compensation - Continued

an adjustment to reflect the application of the performance factor to the 2017 PSU grant, which occurred during the first quarter of 2020.

At December 31, 2020, we had approximately \$6.5 million of unrecognized compensation cost related to PSUs that will be recognized over a weighted average period of 1.6 years. The estimated compensation expense is adjusted for actual performance experience and is recognized ratably during the service period, or remaining service period, if and when it becomes probable that the performance conditions will be satisfied. Compensation cost for PSUs subject to accelerated vesting at the date of retirement eligibility is recognized over the implicit service period.

The fair value of PSUs is estimated on the date of initial grant using the Monte-Carlo simulation model. Key assumptions used to value PSUs granted during the years shown are as follows:

	Year Ended December 31		
	2020	2019	2018
Expected Volatility (based on our and our peer group historical daily stock prices)	23 %	23 %	24 %
Expected Life (equals the performance period)	3 years	3 years	3 years
Risk Free Interest Rate (based on U.S. Treasury yields at the date of grant)	0.85 %	2.53 %	2.32 %

Restricted Stock Units (RSUs)

Activity for RSUs classified as equity is as follows:

	Shares (000s)	Weighted Average Grant Date Fair Value
<b>Outstanding at December 31, 2019</b>	1,044	\$ 41.06
Granted	1,262	22.71
Vested	(626)	40.11
Forfeited	(87)	28.75
<b>Outstanding at December 31, 2020</b>	<u>1,593</u>	<u>27.57</u>

During 2020, 2019, and 2018, we issued RSUs with a weighted average grant date fair value per share of \$22.71, \$37.07, and \$47.76, respectively. RSUs vest over a one to three-year service period, beginning at the date of grant, and the compensation cost is recognized ratably during the vesting period. Forfeitable dividend equivalents on RSUs have previously been accrued in the form of additional RSUs. Beginning with the March 1, 2020 grant, forfeitable dividends are accrued as cash. Compensation cost for RSUs subject to accelerated vesting at the date of retirement eligibility is recognized over the implicit service period.

The total fair value of shares vested during 2020, 2019, and 2018 was \$25.1 million, \$19.5 million, and \$18.1 million, respectively. At December 31, 2020, we had \$21.2 million of unrecognized compensation cost related to RSUs that will be recognized over a weighted average period of 0.9 years.

Cash-Settled RSUs

Activity for cash-settled RSUs classified as a liability is as follows:

	Shares (000s)	Weighted Average Grant Date Fair Value
<b>Outstanding at December 31, 2019</b>	—	\$ —
Granted	68	22.94
<b>Outstanding at December 31, 2020</b>	<u>68</u>	<u>22.94</u>

Unum Group and Subsidiaries

Note 11 - Stock-Based Compensation - Continued

Cash-settled RSUs vest over a one to three-year service period, beginning at the date of grant, and the compensation cost is recognized ratably during the vesting period. Forfeitable dividends on cash-settled RSUs are accrued in the form of cash. Compensation cost for cash-settled RSUs subject to accelerated vesting at the date of retirement eligibility is recognized over the implicit service period.

The amount payable per unit awarded is equal to the price per share of Unum Group's common stock at settlement of the award, and as such, we measure the value of the award each reporting period based on the current stock price. The effects of changes in the stock price during the service period are recognized as compensation cost over the service period. Changes in the amount of the liability due to stock price changes after the service period are recognized as compensation cost during the period in which the changes occur. At December 31, 2020, we had \$1.1 million of unrecognized compensation cost related to cash-settled RSUs that will be recognized over a weighted average period of 1.1 years.

The cash-settled RSUs have a weighted average grant date fair value per unit granted of \$22.94. As of December 31, 2020, no amount of cash-settled RSUs have vested or been paid.

*Stock Options*

Stock option activity is summarized as follows:

	Shares (000s)	Weighted Average Exercise Price	Remaining Contractual Term (in years)	Intrinsic Value (in millions)
<b>Outstanding at December 31, 2019</b>	74	\$ 24.09		
Exercised	(13)	23.35		
Forfeited	(21)	24.25		
<b>Outstanding at December 31, 2020</b>	<u>40</u>	24.25	0.1	\$ —
<b>Exercisable at December 31, 2020</b>	40	\$ 24.25	0.1	\$ —

All outstanding stock options at December 31, 2020 have vested. Stock options vest over a one to three-year service period, beginning at the date of grant, and the compensation cost is recognized ratably during the vesting period. Compensation cost for stock options subject to accelerated vesting at the date of retirement eligibility is recognized over the implicit service period. At December 31, 2020, we had no unrecognized compensation cost related to stock options.

The intrinsic value of options exercised in 2020, 2019, and 2018 was \$0.1 million, \$0.3 million, and \$0.7 million, respectively. There were no stock options granted or vested in the years 2018 through 2020.

Unum Group and Subsidiaries

Note 11 - Stock-Based Compensation - Continued

Expense

Compensation expense for the stock plans, as reported in our consolidated statements of income, is as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Performance Share Units	\$ 5.6	\$ 5.0	\$ 6.8
Restricted Stock Units and Cash-Settled Restricted Stock Units	23.9	21.0	19.0
Stock Success Units	0.4	—	—
Other	0.5	0.6	0.5
<b>Total Compensation Expense, Before Income Tax</b>	<b>\$ 30.4</b>	<b>\$ 26.6</b>	<b>\$ 26.3</b>
<b>Total Compensation Expense, Net of Income Tax</b>	<b>\$ 26.1</b>	<b>\$ 22.7</b>	<b>\$ 20.9</b>

Cash received under all share-based payment arrangements for the years ended December 31, 2020, 2019, and 2018 was \$4.4 million, \$6.1 million, and \$4.6 million, respectively.

Note 12 - Reinsurance

Reinsurance activity related to both our premium income and changes in reserves for future benefits are as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Direct Premium Income	\$ 9,621.9	\$ 9,576.3	\$ 9,171.1
Reinsurance Assumed	94.1	116.5	142.6
Reinsurance Ceded	(337.9)	(327.2)	(327.6)
<b>Net Premium Income</b>	<b>\$ 9,378.1</b>	<b>\$ 9,365.6</b>	<b>\$ 8,986.1</b>
Ceded Benefits and Change in Reserves for Future Benefits	\$ 628.8	\$ 650.1	\$ 667.2

Effective December 16, 2020, Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company and Unum Life Insurance Company of America, wholly-owned domestic insurance subsidiaries of Unum Group and collectively referred to as "the ceding companies", entered into a series of agreements (collectively referred to as the "reinsurance agreement") with Commonwealth Annuity and Life Insurance Company (Commonwealth), a subsidiary of Global Atlantic Financial Group, to reinsure on a coinsurance basis effective as of July 1, 2020 approximately 75 percent of the Closed Block individual disability business, primarily direct business written by the ceding companies. Commonwealth has established and will maintain collateralized trust accounts for the benefit of the ceding companies to secure its obligations under the relevant reinsurance agreement. As part of the agreement, additional Closed Block individual disability business consisting of direct business not ceded in December 2020 and business assumed by the ceding companies from third parties, is expected to be reinsured in the first quarter of 2021, subject to receipt of required consents and regulatory approvals and the satisfaction or waiver of other customary closing conditions and is considered the second phase of this transaction. In connection with the first phase of the coinsurance agreement that closed in December 2020, the ceding companies paid a total cash ceding commission to Commonwealth of approximately \$438 million and transferred additional assets consisting primarily of fixed maturity securities and cash totaling \$6,669.8 million.

In December 2020, Provident Life and Casualty Insurance Company (PLC), also a wholly-owned domestic insurance subsidiary of Unum Group, entered into an agreement with Commonwealth whereby PLC will provide a 12-year volatility cover to

**Unum Group and Subsidiaries**

**Note 12 - Reinsurance - Continued**

Commonwealth for the active life cohort (ALR cohort), which represents approximately five percent of the reserves ceded to Commonwealth. As part of this agreement, PLC received a payment from Commonwealth of approximately \$62 million. PLC will provide similar coverage to Commonwealth related to additional business ceded as part of the second phase of the transaction. At the end of the 12-year coverage period, Commonwealth will retain the remaining incidence and claims risk on the ALR cohort of the ceded business. Under this volatility cover, annual settlements will be made equal to the difference between the actual and estimated cash flows and reserve changes during the year. Upon expiration of the 12-year period, a terminal settlement will be made based on the final disabled life reserves. As a result of the volatility cover, the reinsurance agreement covering the ALR cohort, does not pass risk transfer requirements under GAAP and is accounted for under the deposit method.

As a result of this reinsurance agreement, we recognized the following as of the date of the agreement:

- Net realized investment gains totaling \$1,302.3 million related to the transfer of investments.
- Increase in benefits and change in reserves for future benefits of \$1,284.5 million resulting from the realization of previously unrealized investment gains and losses recorded in accumulated other comprehensive income.
- Transaction costs totaling \$21.0 million.
- Tax benefit of \$36.5 million.
- Reinsurance recoverable of \$6,141.5 million representing the ceded reserves related to policies on claim status (DLR cohort).
- Cost of reinsurance, or the prepaid reinsurance premium, of \$815.7 million related to the DLR cohort.
- Deposit asset of \$88.2 million related to the ALR cohort.

The cost of reinsurance will be amortized over the expected run-off pattern of the ceded reserves for the DLR cohort and we recognized \$2.6 million in amortization expense in 2020 subsequent to the execution of the agreement. The deposit asset will be adjusted over the 12-year period of the volatility cover based on cash flows related to the ALR cohort, settlement payments as determined above, and accretion of interest and will result in an amount equal to the expected disabled life reserve for the ALR cohort at the expiration of the volatility cover. Both the cost of reinsurance and the deposit asset are reported in Other Assets within our Consolidated Balance Sheets.

As of December 31, 2020, Commonwealth accounted for approximately 59 percent of the total reinsurance recoverable and the majority of our total cost of reinsurance. Commonwealth has an A rating by A.M. Best Company (AM Best) and has also established collateralized trust accounts for our benefit to secure its obligations. In addition, nine other major companies, which account for approximately 35 percent of our reinsurance recoverable at December 31, 2020, are also rated A or better by either AM Best or Standard & Poor's Ratings Services (S&P), or are fully securitized by letters of credit or investment-grade fixed maturity securities held in trust. Approximately five percent of our reinsurance recoverable relates to business reinsured either with companies rated A- or better by AM Best or S&P, with overseas entities with equivalent ratings, or backed by letters of credit or trust agreements, or through reinsurance arrangements wherein we retain the assets in our general account. The remaining one percent of our reinsurance recoverable is held by companies either rated below A- by AM Best or S&P, or not rated.



***Unum Group and Subsidiaries***

**Note 13 - Segment Information**

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

The Unum US segment is comprised of group long-term and short-term disability insurance, which includes our medical stop-loss product as well as our fee-based leave management services and ASO business, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business, which are comprised of individual disability, voluntary benefits, and dental and vision products. These products are marketed through our field sales personnel who work in conjunction with independent brokers and consultants.

The Unum International segment is comprised of our operations in both the United Kingdom and Poland. Our Unum UK products include insurance for group long-term disability, group life, and supplemental lines of business which include dental, individual disability, and critical illness products. Our Unum Poland products include insurance for individual and group life with accident and health riders. Unum International's products are sold primarily through field sales personnel and independent brokers and consultants.

The Colonial Life segment includes insurance for accident, sickness, and disability products, which includes our dental and vision products, life products, and cancer and critical illness products marketed to employees, on both a group and an individual basis, at the workplace through an independent contractor agency sales force and brokers.

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

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

***Costs Related to Organizational Design Update***

During the third quarter of 2020, we realigned certain parts of our organizational structure by shifting resources to accelerate growth, fund priority investments, and simplify and improve our business practices. In connection with this update, we incurred charges of \$23.3 million, which primarily consisted of employee severance and benefit costs as well as certain costs related to lease terminations and the disposal of certain fixed assets. These costs were recorded within either compensation expense or other expenses in the consolidated statements of income and were included within our Corporate segment. This update did not result in the exit or disposal of any of our lines of business and we do not expect material additional costs associated with this update in the future.

***Acquisitions of Business***

On November 1, 2018, we acquired 100 percent of the shares and voting interests in Jaimini Health, Inc. (Jaimini Health), a dental health maintenance organization. The acquisition of Jaimini Health will broaden our employee benefit dental offerings in the U.S., particularly in the state of California, and is reported in our Unum US segment.

On October 1, 2018, we acquired 100 percent of the shares and voting interests in Unum Poland, a financial protection benefits provider in Poland. This acquisition will expand our European presence, which we believe to be an attractive market for financial protection benefits.

On January 1, 2018, we acquired 100 percent of the shares and voting interests in Leavelogic, Inc (Leavelogic), a leave management technology provider. The acquisition of Leavelogic will enhance our current leave management offerings by providing tools for employers and employees to better manage the family leave process and is reported in our Unum US segment.

**Note 13 - Segment Information - Continued**

Aggregate revenues for all three acquired entities totaled approximately \$61 million in 2017. Aggregate assets were valued at approximately \$344 million as of the respective acquisition dates and were primarily comprised of bonds, short-term investments, and intangible assets attributable to the value of business acquired, the value of distribution networks, and licenses. Aggregate liabilities were valued at approximately \$206 million as of the respective acquisition dates and were primarily comprised of outstanding claim liabilities, reserves for future claims, and income tax liabilities. The aggregate purchase price for all three transactions was approximately \$151 million and exceeded the fair value of the identifiable net assets by approximately \$13 million, which was identified as goodwill, primarily attributable to the value of adding individual and group financial protection products in Poland to our current employee benefit offerings and the value of enhancing our technology capabilities around our leave management offerings. The goodwill is not deductible for income tax purposes except upon disposition of the acquired entities. These acquisitions, the results of which are included in our consolidated financial statements for the periods subsequent to the respective dates of acquisition, did not have a material impact on revenue or results of operations for 2018.

Unum Group and Subsidiaries

Note 13 - Segment Information - Continued

Segment information is as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Premium Income</b>			
<b>Unum US</b>			
Group Disability			
Group Long-term Disability	\$ 1,828.5	\$ 1,823.1	\$ 1,766.2
Group Short-term Disability	799.2	768.8	706.3
Group Life and Accidental Death & Dismemberment			
Group Life	1,640.5	1,662.0	1,583.7
Accidental Death & Dismemberment	163.9	165.7	156.3
Supplemental and Voluntary			
Individual Disability	456.0	440.7	425.4
Voluntary Benefits	875.2	910.2	895.7
Dental and Vision	255.6	246.1	202.8
	<u>6,018.9</u>	<u>6,016.6</u>	<u>5,736.4</u>
<b>Unum International</b>			
Unum UK			
Group Long-term Disability	364.9	353.4	358.9
Group Life	108.5	115.7	110.8
Supplemental	99.8	89.5	81.7
Unum Poland	79.6	71.9	17.4
	<u>652.8</u>	<u>630.5</u>	<u>568.8</u>
<b>Colonial Life</b>			
Accident, Sickness, and Disability	975.1	973.4	929.3
Life	376.4	351.6	328.4
Cancer and Critical Illness	360.5	360.0	346.1
	<u>1,712.0</u>	<u>1,685.0</u>	<u>1,603.8</u>
<b>Closed Block</b>			
Long-term Care	666.9	651.6	648.3
Individual Disability	319.6	374.3	420.8
All Other	7.9	7.6	8.0
	<u>994.4</u>	<u>1,033.5</u>	<u>1,077.1</u>
<b>Total Premium Income</b>	<u>\$ 9,378.1</u>	<u>\$ 9,365.6</u>	<u>\$ 8,986.1</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Unum Group and Subsidiaries

Note 13 - Segment Information - Continued

	Unum US	Unum International	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
<b>Year Ended December 31, 2020</b>						
Premium Income	\$ 6,018.9	\$ 652.8	\$ 1,712.0	\$ 994.4	\$ —	\$ 9,378.1
Net Investment Income	720.3	104.6	155.7	1,370.3	9.8	2,360.7
Other Income	154.9	0.5	1.1	66.6	1.1	224.2
<b>Adjusted Operating Revenue</b>	<b>\$ 6,894.1</b>	<b>\$ 757.9</b>	<b>\$ 1,868.8</b>	<b>\$ 2,431.3</b>	<b>\$ 10.9</b>	<b>\$ 11,963.0</b>
Adjusted Operating Income (Loss)	\$ 825.4	\$ 76.6	\$ 335.4	\$ 241.4	\$ (200.8)	\$ 1,278.0
Interest and Debt Expense	\$ —	\$ —	\$ —	\$ 3.1	\$ 185.1	\$ 188.2
Depreciation and Amortization	\$ 421.7	\$ 20.1	\$ 273.9	\$ 5.9	\$ 0.7	\$ 722.3
<b>Year Ended December 31, 2019</b>						
Premium Income	\$ 6,016.6	\$ 630.5	\$ 1,685.0	\$ 1,033.5	\$ —	\$ 9,365.6
Net Investment Income	739.4	122.5	148.0	1,404.9	20.5	2,435.3
Other Income	142.8	0.6	3.4	71.3	3.1	221.2
<b>Adjusted Operating Revenue</b>	<b>\$ 6,898.8</b>	<b>\$ 753.6</b>	<b>\$ 1,836.4</b>	<b>\$ 2,509.7</b>	<b>\$ 23.6</b>	<b>\$ 12,022.1</b>
Adjusted Operating Income (Loss)	\$ 1,031.1	\$ 107.9	\$ 344.5	\$ 137.7	\$ (188.6)	\$ 1,432.6
Interest and Debt Expense	\$ —	\$ —	\$ —	\$ 5.3	\$ 172.1	\$ 177.4
Depreciation and Amortization	\$ 422.8	\$ 18.7	\$ 276.6	\$ 7.7	\$ 1.7	\$ 727.5
<b>Year Ended December 31, 2018</b>						
Premium Income	\$ 5,736.4	\$ 568.8	\$ 1,603.8	\$ 1,077.1	\$ —	\$ 8,986.1
Net Investment Income	778.7	117.2	151.2	1,377.1	29.5	2,453.7
Other Income	118.5	0.4	1.2	75.4	2.7	198.2
<b>Adjusted Operating Revenue</b>	<b>\$ 6,633.6</b>	<b>\$ 686.4</b>	<b>\$ 1,756.2</b>	<b>\$ 2,529.6</b>	<b>\$ 32.2</b>	<b>\$ 11,638.0</b>
Adjusted Operating Income (Loss)	\$ 1,014.6	\$ 113.9	\$ 335.2	\$ 125.5	\$ (171.1)	\$ 1,418.1
Interest and Debt Expense	\$ —	\$ —	\$ —	\$ 6.9	\$ 160.4	\$ 167.3
Depreciation and Amortization	\$ 389.6	\$ 17.6	\$ 257.3	\$ 8.3	\$ 1.0	\$ 673.8

Unum Group and Subsidiaries

Note 13 - Segment Information - Continued

	Unum US	Unum International	Colonial Life	Total
	(in millions of dollars)			
<b>Deferred Acquisition Costs</b>				
<b>Year Ended December 31, 2020</b>				
Beginning of Year	\$ 1,223.0	\$ 26.4	\$ 1,074.6	\$ 2,324.0
Capitalization	291.5	12.1	272.6	576.2
Amortization	(341.0)	(7.4)	(257.7)	(606.1)
Adjustment Related to Unrealized Investment Gains and Losses	(4.8)	—	(17.6)	(22.4)
Foreign Currency	—	0.9	—	0.9
End of Year	<u>\$ 1,168.7</u>	<u>\$ 32.0</u>	<u>\$ 1,071.9</u>	<u>\$ 2,272.6</u>
<b>Year Ended December 31, 2019</b>				
Beginning of Year	\$ 1,239.4	\$ 20.0	\$ 1,050.0	\$ 2,309.4
Capitalization	334.5	12.8	311.3	658.6
Amortization	(344.0)	(7.1)	(258.8)	(609.9)
Adjustment Related to Unrealized Investment Gains and Losses	(6.9)	—	(27.9)	(34.8)
Foreign Currency	—	0.7	—	0.7
End of Year	<u>\$ 1,223.0</u>	<u>\$ 26.4</u>	<u>\$ 1,074.6</u>	<u>\$ 2,324.0</u>
<b>Year Ended December 31, 2018</b>				
Beginning of Year	\$ 1,205.4	\$ 21.3	\$ 957.9	\$ 2,184.6
Capitalization	344.0	8.1	315.9	668.0
Amortization	(315.1)	(8.2)	(242.2)	(565.5)
Adjustment Related to Unrealized Investment Gains and Losses	5.1	—	18.4	23.5
Foreign Currency	—	(1.2)	—	(1.2)
End of Year	<u>\$ 1,239.4</u>	<u>\$ 20.0</u>	<u>\$ 1,050.0</u>	<u>\$ 2,309.4</u>

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Assets</b>		
Unum US	\$ 19,034.2	\$ 18,586.3
Unum International	4,206.2	3,869.1
Colonial Life	4,864.3	4,629.0
Closed Block	38,187.2	37,008.7
Corporate	4,333.9	2,920.3
<b>Total Assets</b>	<u>\$ 70,625.8</u>	<u>\$ 67,013.4</u>

Revenue is primarily derived from sources in the United States, the United Kingdom, and Poland. There are no material revenues or assets attributable to foreign operations other than those reported in our Unum International segment.

**Unum Group and Subsidiaries**

**Note 13 - Segment Information - Continued**

We report goodwill in our Unum US, Unum International, and Colonial Life segments, which are the segments expected to benefit from the originating business combinations. At December 31, 2020 and 2019 goodwill was \$353.0 million and \$351.7 million, respectively, with \$280.0 million attributable to Unum US in each year, \$45.3 million and \$44.0 million, respectively, attributable to Unum International, and \$27.7 million attributable to Colonial Life in each year.

Stockholders' equity is allocated to the operating segments on the basis of an internal allocation formula that reflects the volume and risk components of each operating segment's business and aligns allocated equity with our target capital levels for regulatory and rating agency purposes. We modify this formula periodically to recognize changes in the views of capital requirements.

We measure and analyze our segment performance on the basis of "adjusted operating revenue" and "adjusted operating income" or "adjusted operating loss", which differ from total revenue and income before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses and amortization of the cost of reinsurance as well as certain other items specified in the reconciliations below. We believe adjusted operating revenue and adjusted operating income or loss are better performance measures and better indicators of the revenue and profitability and underlying trends in our business. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for total revenue, income before income tax, or net income.

Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains or losses. Although we may experience realized investment gains or losses which will affect future earnings levels, a long-term focus is necessary to maintain profitability over the life of the business since our underlying business is long-term in nature, and we need to earn the interest rates assumed in calculating our liabilities.

As previously discussed in Note 12, we have exited a substantial portion of our closed block individual disability product line through the reinsurance agreement that was executed in December 2020. As a result, we exclude the amortization of the cost of reinsurance that was recognized as a result of the exit of the business related to the DLR cohort of policies. We believe that the exclusion of the amortization of the cost of reinsurance provides a better view of our results from our ongoing businesses.

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.

See above and Notes 6, 8, 12, and 15 for further discussion regarding the impacts of the 2018 and 2020 long-term care reserve increases, the group pension reserve increase, the impacts from of the Closed Block individual disability reinsurance transaction, the amortization of the cost of reinsurance, the net tax benefit from the reinsurance transaction, costs related to the organizational design update, the impairment loss on the ROU asset related to one of our operating leases for office space, and the cost related to the early retirement of debt.

Unum Group and Subsidiaries

Note 13 - Segment Information - Continued

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

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Total Revenue</b>	\$ 13,162.1	\$ 11,998.9	\$ 11,598.5
Excluding:			
Net Realized Investment Gain (Loss)	1,199.1	(23.2)	(39.5)
<b>Adjusted Operating Revenue</b>	<u>\$ 11,963.0</u>	<u>\$ 12,022.1</u>	<u>\$ 11,638.0</u>
<b>Income Before Income Tax</b>	\$ 964.0	\$ 1,382.1	\$ 627.8
Excluding:			
<b>Net Realized Investment Gains and Losses</b>			
Net Realized Investment Gain Related to Reinsurance Transaction	1,302.3	—	—
Net Realized Investment Loss, Other	(103.2)	(23.2)	(39.5)
<b>Total Net Realized Investment Gain (Loss)</b>	1,199.1	(23.2)	(39.5)
<b>Items Related to Closed Block Individual Disability Reinsurance Transaction</b>			
Change in Benefit Reserves and Transaction Costs	(1,305.5)	—	—
Amortization of the Cost of Reinsurance	(2.6)	—	—
<b>Total Items Related to Closed Block Individual Disability Reinsurance Transaction</b>	(1,308.1)	—	—
Long-term Care Reserve Increase	(151.5)	—	(750.8)
Group Pension Reserve Increase	(17.5)	—	—
Impairment Loss on ROU Asset	(12.7)	—	—
Costs Related to Organizational Design Update	(23.3)	—	—
Costs Related to Early Retirement of Debt	—	(27.3)	—
<b>Adjusted Operating Income</b>	<u>\$ 1,278.0</u>	<u>\$ 1,432.6</u>	<u>\$ 1,418.1</u>

***Unum Group and Subsidiaries***

**Note 14 - Commitments and Contingent Liabilities**

***Contingent Liabilities***

We are a defendant in a number of litigation matters that have arisen in the normal course of business, including the matters discussed below. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. Given the complexity and scope of our litigation and regulatory matters, it is not possible to predict the ultimate outcome of all pending investigations or legal proceedings or provide reasonable estimates of potential losses, except if noted in connection with specific matters.

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

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

***Claims Handling Matters***

We and our insurance subsidiaries, in the ordinary course of our business, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Most typically these lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of operations for the particular period.

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

***Miscellaneous Matters***

Similar to other insurers, we were the subject of an examination by a third party acting on behalf of a number of state treasurers concerning our compliance with the unclaimed property laws of the participating states. We cooperated fully with this examination and in the fourth quarter of 2017, we started the process to reach a Global Resolution Agreement with the third party regarding settlement of the examination, which we finalized in January of 2018. Under the terms of the agreement, the third party acting on behalf of the signatory states compared insured data to the Social Security Administration's Death Master File to identify deceased insureds and contract holders where a valid claim has not been made. During the fourth quarter of 2017, we established reserves which reflect our estimate of the liability expected to be paid as we execute on the terms of the settlement. We also are cooperating with a Delaware Market Conduct examination involving the same issue, which is currently inactive. The legal and regulatory environment around unclaimed death benefits continues to evolve. It is possible that the current settlement and/or similar investigations by other state jurisdictions may result in payments to beneficiaries, the payment of abandoned funds under state law, and/or administrative penalties, the total of which may be in excess of the reserves established.



**Unum Group and Subsidiaries**

**Note 14 - Commitments and Contingent Liabilities - Continued**

*Securities Class Actions:* Three alleged securities class action lawsuits have been filed against Unum Group and individual defendants as follows:

- On June 13, 2018, an alleged securities class action lawsuit entitled Cynthia Pittman v. Unum Group, Richard McKenney, John McGarry, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The plaintiff seeks to represent purchasers of Unum Group publicly traded securities between January 31, 2018 and May 2, 2018. The plaintiff alleges the Company caused its shares to trade at artificially high levels by failing to disclose information about the rate of long-term care policy terminations and long-term care claim incidence resulting in misleading statements about capital management plans and long-term care reserves. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and seeks compensatory damages in an amount to be proven at trial. The Company strongly denies these allegations and will vigorously defend the litigation.
- On July 13, 2018, an alleged securities class action lawsuit entitled Scott Cunningham v. Unum Group, Richard McKenney, John McGarry, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The allegations, class period, and damages claimed mirror those in the Pittman matter. The Company strongly denies these allegations and will vigorously defend the litigation.
- On July 25, 2018, an alleged securities class action lawsuit entitled City of Taylor Police and Fire Retirement System v. Unum Group, Richard McKenney, John McGarry, Steve Zabel, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The plaintiff seeks to represent purchasers of Unum Group publicly traded securities between October 27, 2016 and May 1, 2018. The allegations and damages claimed mirror those in the Pittman matter. The Company strongly denies these allegations and will vigorously defend the litigation.

On November 9, 2018, the court consolidated the Pittman, Cunningham, and City of Taylor Police and Fire Retirement System cases into one matter entitled In re Unum Group Securities Litigation, appointed a lead plaintiff and lead plaintiff's counsel, and directed the plaintiff to file a consolidated amended complaint. On January 15, 2019, the plaintiff filed a consolidated amended complaint asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and seeks compensatory damages in an amount to be proven at trial as well as costs, expenses, and attorney's fees. On March 18, 2019, the Company filed a motion to dismiss the consolidated amended complaint. On November 4, 2019 the court heard oral argument on the motion. On June 1, 2020, the court granted the Company's motion and dismissed the cases with prejudice. On June 26, 2020, the plaintiffs filed a notice of appeal with the Sixth Circuit Court of Appeals. The court has scheduled oral argument for March 2, 2021.

We believe the appeal and the underlying claims lack merit and reserves have not been established for these matters as we are unable to estimate a range of reasonably possible losses. However, an adverse outcome in one or more of these actions could, depending on the nature, scope, and amount of any ruling, materially adversely affect our consolidated results of operations in a period.

**Note 15 - Leases**

We lease certain buildings and equipment under various noncancellable operating lease agreements. In addition, we have sub-lease agreements on a limited number of our building lease agreements. The majority of our building leases and sub-leases expire within a five to ten year period and we generally have the option to renew at the end of the lease term at the fair rental value at the time of renewal. The majority of our equipment leases expire within a one to three year period and we generally have the option to renew at the end of the lease term at the fair rental value at the time of renewal.

We do not have any lease agreements or sub-lease agreements that contain variable lease payments. In addition, we do not have lease agreements or sub-lease agreements that contain residual value guarantees or impose any financial restrictions or covenants with the lessors.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**Unum Group and Subsidiaries**

**Note 15 - Leases - Continued**

Operating lease information is as follows:

	Year Ended December 31	
	2020	2019
	(in millions of dollars)	
<b>Lease Cost</b>		
Operating Lease Cost	\$ 48.6	\$ 29.4
Sublease Income	(1.3)	(1.9)
<b>Total Lease Cost</b>	<b>\$ 47.3</b>	<b>\$ 27.5</b>
<b>Other Information</b>		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	\$ 30.8	\$ 28.9
Weighted-Average Remaining Lease Term	6 years	7 years
Weighted-Average Discount Rate	4.37 %	4.60 %

Operating lease cost as calculated prior to the adoption of ASC 842 was \$29.2 million for the year ended December 31, 2018.

As of December 31, 2020, aggregate undiscounted minimum net lease payments and the reconciliation to our lease liability are as follows (in millions of dollars):

2021	\$	25.4
2022		22.8
2023		16.5
2024		12.7
2025		9.8
2026 and Thereafter		34.4
<b>Total</b>		<b>121.6</b>
Less Imputed Interest		15.7
<b>Lease Liability</b>	<b>\$</b>	<b>105.9</b>

The right-of-use asset was \$82.9 million and \$108.6 million at December 31, 2020 and 2019, respectively.

During 2020, we recognized an impairment loss of \$12.7 million on the ROU asset related to one of our operating leases for office space that we do not plan to continue using to support our general operations. The impairment loss was recorded as a result of a decrease in the fair value of the ROU asset compared to its carrying value. The fair value of the ROU asset was determined based on a discounted cash flow model utilizing estimated market rates for sub-lease rentals. The impairment loss is recorded within other expenses in the consolidated statements of income and is included within our Corporate segment.

**Unum Group and Subsidiaries**

**Note 16 - Statutory Financial Information**

***Statutory Net Income, Capital and Surplus, and Dividends***

Statutory net income for U.S. life insurance companies is reported in conformity with statutory accounting principles prescribed by the National Association of Insurance Commissioners (NAIC) and adopted by applicable domiciliary state laws. The commissioners of the states of domicile have the right to permit other specific practices that may deviate from prescribed practices. In connection with a financial examination of Unum America, which closed at the end of the second quarter of 2020, the Maine Bureau of Insurance (MBOI) concluded that Unum America's long-term care statutory reserves are deficient by \$2.1 billion as of December 31, 2018, the financial statement date of the examination period. The MBOI granted permission to Unum America on May 1, 2020, to phase in the additional statutory reserves over seven years beginning with year-end 2020 and ending with year-end 2026. This strengthening will be incorporated using explicitly agreed upon margins into our existing assumptions for annual statutory reserve adequacy testing. These actions will add margin to Unum America's best estimate assumptions. Our long-term care reserves and financial results reported under generally accepted accounting principles are not affected by the MBOI's examination conclusion. We plan to fund the additional statutory reserves with expected cash flows. If the permitted practice was not granted by the MBOI to phase in these additional statutory reserves, the impact to the risk-based capital ratio would have triggered a regulatory event. The 2020 phase-in amount was recorded in the fourth quarter of 2020 and was approximately \$229 million. Our other traditional U.S. life insurance subsidiaries have no prescribed or permitted statutory accounting practices that differ materially from statutory accounting principles prescribed by the NAIC.

Unum America cedes certain blocks of business to Fairwind Insurance Company (Fairwind), which is an affiliated captive reinsurance subsidiary (captive reinsurer) domiciled in the United States, with Unum Group as the ultimate parent. This captive reinsurer was established for the limited purpose of reinsuring risks attributable to specified policies issued or reinsured by Unum America.

Fairwind, which is domiciled in the state of Vermont, is required to follow GAAP in accordance with Vermont reporting requirements for pure captive insurance companies, unless the commissioner permits the use of some other basis of accounting. Fairwind has permission from Vermont to follow accounting practices that are generally consistent with current NAIC statutory accounting principles for its insurance reserves and invested assets supporting reserves. All other assets and liabilities are accounted for in accordance with GAAP, as prescribed by Vermont, which includes the full recognition of deferred tax assets which are more likely than not to be realized. Statutory accounting principles have a stricter limitation for the recognition of deferred tax assets. The impact of following the prescribed and permitted practices of Vermont rather than statutory accounting principles prescribed by the NAIC resulted in higher capital and surplus for Fairwind of approximately \$287 million and \$194 million as of December 31, 2020 and 2019 respectively. Included in the 2020 results for Fairwind was the \$229 million increase to long-term care statutory reserves assumed from Unum America. Included in the 2018 results for Fairwind was the assumed portion of the statutory impact of the 2018 long-term care reserve increase.

In December 2020, prior to entering into the reinsurance transaction with Commonwealth, Provident, Paul Revere Life, and Unum America recaptured their respective reinsurance agreements with Northwind Reinsurance Company, a wholly-owned domestic special purpose reinsurance subsidiary (Northwind Re). Northwind Re was established for the limited purpose of reinsuring risks attributable to specified policies issued or reinsured by the aforementioned companies, and has no material state prescribed accounting practices that differ from statutory accounting principles prescribed by the NAIC. See Note 12 for further discussion regarding the reinsurance transaction with Commonwealth.

Unum Group and Subsidiaries

Note 16 - Statutory Financial Information - Continued

The operating results and capital and surplus of our traditional U.S. life insurance subsidiaries and our captive reinsurers, prepared in accordance with prescribed or permitted accounting practices of the NAIC or states of domicile, are presented separately below.

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Combined Net Income (Loss)</b>			
Traditional U.S. Life Insurance Subsidiaries	\$ 646.8	\$ 982.1	\$ 953.0
Captive Reinsurers	\$ (201.0)	\$ (122.5)	\$ (109.6)
<b>Combined Net Gain (Loss) from Operations</b>			
Traditional U.S. Life Insurance Subsidiaries	\$ 726.2	\$ 1,027.2	\$ 959.8
Captive Reinsurers	\$ (149.4)	\$ (108.4)	\$ (110.9)

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Combined Capital and Surplus</b>		
Traditional U.S. Life Insurance Subsidiaries	\$ 3,875.0	\$ 3,644.4
Captive Reinsurers	\$ 2,088.0	\$ 1,908.3

Solvency II, a European Union directive prescribes capital requirements and risk management standards for the European insurance industry. As derived from the most recent annual financial statements for December 31, 2019, based on Solvency II requirements, regulatory net income and own funds available of our United Kingdom insurance subsidiary, Unum Limited, were £91.0 million and £656.1 million, respectively.

Risk-based capital (RBC) standards for U.S. life insurance companies are prescribed by the NAIC. The domiciliary states of our U.S. insurance subsidiaries have all adopted a version of the RBC model formula of the NAIC, which prescribes a system for assessing the adequacy of statutory capital and surplus for all life and health insurers. The basis of the system is a risk-based formula that applies prescribed factors to the various risk elements in a life and health insurer's business to report a minimum capital requirement proportional to the amount of risk assumed by the insurer. The life and health RBC formula is designed to measure annually (i) the risk of loss from asset defaults and asset value fluctuations, (ii) the risk of loss from adverse mortality and morbidity experience, (iii) the risk of loss from mismatching of asset and liability cash flow due to changing interest rates, and (iv) business risks. The formula is used as an early warning tool to identify companies that are potentially inadequately capitalized. State insurance laws grant insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. The total adjusted capital of each of our U.S. insurance subsidiaries at December 31, 2020 is in excess of those RBC levels.

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.

Based on the restrictions under current law, approximately \$974 million is available, without prior approval by regulatory authorities, during 2021 for the payment of dividends to Unum Group from its traditional U.S. life insurance subsidiaries. The ability of our captive insurers 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.

*Unum Group and Subsidiaries*

**Note 16 - Statutory Financial Information - Continued**

We also have the ability to receive dividends from our foreign subsidiaries, primarily in the U.K., for which the payment may be subject to applicable insurance company regulations and capital guidance. Approximately £170.0 million is considered distributable from Unum Limited during 2021, subject to local solvency standards and regulatory approval.

***Deposits***

At December 31, 2020 and 2019, our U.S. insurance subsidiaries had on deposit with U.S. regulatory authorities securities with a book value of \$135.5 million and \$135.2 million, respectively, held for the protection of policyholders.

Unum Group and Subsidiaries

Note 17 - Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for 2020 and 2019:

	2020			
	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
	(in millions of dollars, except share data)			
Premium Income	\$ 2,319.9	\$ 2,318.1	\$ 2,368.7	\$ 2,371.4
Net Investment Income	593.5	613.2	569.0	585.0
Net Realized Investment Gain (Loss)	1,304.9	4.4	33.8	(144.0)
Total Revenue	4,273.5	2,996.3	3,021.2	2,871.1
Income Before Income Tax	124.7	299.6	337.6	202.1
Net Income	135.4	231.1	265.5	161.0
Net Income Per Common Share				
Basic	0.66	1.13	1.30	0.79
Assuming Dilution	0.66	1.13	1.30	0.79

	2019			
	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
	(in millions of dollars, except share data)			
Premium Income	\$ 2,352.6	\$ 2,331.2	\$ 2,343.1	\$ 2,338.7
Net Investment Income	616.3	599.4	624.9	594.7
Net Realized Investment Gain (Loss)	9.2	(26.2)	(7.3)	1.1
Total Revenue	3,034.6	2,960.0	3,016.7	2,987.6
Income Before Income Tax	377.4	299.4	352.0	353.3
Net Income	296.2	242.0	281.2	280.9
Net Income Per Common Share				
Basic	1.44	1.16	1.33	1.31
Assuming Dilution	1.44	1.16	1.33	1.31

Items affecting the comparability of our financial results are as follows:

- Fourth quarter of 2020 net realized investment gain of \$1,302.3 million before tax and \$1,028.8 million after tax, related to the transfer of investments for the Closed Block individual disability reinsurance transaction.
- Fourth quarter of 2020 impacts from the Closed Block individual disability reinsurance transaction of \$1,305.5 million before tax and \$1,031.3 million after tax.
- Fourth quarter of 2020 amortization of the cost of reinsurance related to the Closed Block individual disability reinsurance transaction of \$2.6 million before tax and \$2.0 million after tax.
- Fourth quarter of 2020 net tax benefit from the Closed Block individual disability reinsurance transaction of \$36.5 million.
- Fourth quarter of 2020 reserve increases of \$151.5 million and \$17.5 million before tax and \$119.7 million and \$13.8 million after tax related to long-term care and group pension, respectively.
- Third quarter of 2020 costs related to organizational design update of \$23.3 million before tax and \$18.6 million after tax.
- Second quarter of 2020 impairment on ROU asset related to an operating lease for office space that we do not plan to continue using to support our general operations of \$12.7 million before tax and \$10.0 million after tax.
- Fourth quarter of 2019 cost related to the early retirement of debt of \$2.1 million before tax and \$1.7 million after tax.
- Third quarter of 2019 cost related to the early retirement of debt of \$25.2 million before tax and \$19.9 million after tax.

See Notes 6, 7, 8, 12, 13, and 15 for further discussion of the above items.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

### **ITEM 9A. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. We evaluated those controls based on the 2013 Internal Control - Integrated Framework from the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective as of December 31, 2020.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting encompasses the processes and procedures management has established to (i) maintain records that, in reasonable detail, accurately and fairly reflect the Company's transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; (iii) provide reasonable assurance that receipts and expenditures are appropriately authorized; and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, any projection of the evaluation of effectiveness to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and concluded that, as of December 31, 2020, we maintained effective internal control over financial reporting.

#### **Attestation Report of the Company's Registered Public Accounting Firm**

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included herein, audited the effectiveness of our internal control over financial reporting, as of December 31, 2020, and issued the attestation report included as follows.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Unum Group

### Opinion on Internal Control Over Financial Reporting

We have audited Unum Group and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Unum Group and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) and our report dated February 17, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chattanooga, Tennessee  
February 17, 2021



**ITEM 9B. OTHER INFORMATION**

None

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

The information required by this Item with respect to directors is included under the caption "Information About the Board of Directors," sub-captions "Director Nominees" and "Summary of Director Qualifications and Experience", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this Item with respect to our executive officers is included under the caption "Information about our Executive Officers" contained herein in Item 1 and is incorporated herein by reference.

#### Corporate Governance

Our internet website address is [www.unum.com](http://www.unum.com). We have adopted corporate governance guidelines, a code of conduct applicable to all of our directors, officers and employees, and charters for the audit, human capital, governance, risk and finance and regulatory compliance committees of our board of directors in accordance with the requirements of the New York Stock Exchange (NYSE). In addition, our board of directors has adopted a code of ethics applicable to our chief executive officer and certain senior financial officers in accordance with the requirements of the Securities and Exchange Commission. These documents are available free of charge on our website and in print at the request of any shareholder from the Office of the Corporate Secretary, Unum Group, 1 Fountain Square, Chattanooga, Tennessee, 37402, or by calling toll-free 1-800-718-8824. We will post on our website amendments to or waivers from any provision of our code of conduct and our code of ethics, as required by the rules and regulations of the Securities and Exchange Commission and the listing standards of the NYSE.

The information required by this Item with respect to compliance with Section 16(a) of the Exchange Act is included under the caption "Ownership of Company Securities", sub-caption "Delinquent Section 16(a) Reports", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this Item with respect to a code of ethics for our chief executive officer and certain senior financial officers is included under the caption "Board and Committee Governance", sub-caption "Codes of Conduct and Ethics", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this Item with respect to the audit committee and audit committee financial experts is included under the caption "Board and Committee Governance", sub-captions "Committees of the Board", "Committee Responsibilities" and "Audit Committee", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference. In addition, information relating to the procedures by which our shareholders may recommend nominees to our board of directors is included under the caption "Corporate Governance", sub-caption "Process for Selecting and Nominating Directors", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item with respect to executive compensation and compensation committee matters is included under the caption "Information About the Board of Directors", sub-caption "Director Compensation", under the caption "Board and Committee Governance", sub-caption "Compensation Committee Interlocks and Insider Participation", and under the captions "Compensation Discussion and Analysis", "Compensation Committee Report", and "Compensation Tables" in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item with respect to security ownership of certain beneficial owners and management is included under the captions "Ownership of Company Securities" and "Security Ownership of Certain Shareholders" in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

### Equity Compensation Plan Information

The following table gives information as of December 31, 2020, about the common stock that may be issued under all our existing equity compensation plans.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights <sup>(5)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Shareholders <sup>(1)</sup>	3,392,436 <sup>(3)</sup>	\$24.25	12,104,198 <sup>(6)</sup>
Equity Compensation Plans Not Approved by Shareholders <sup>(2)</sup>	36,450 <sup>(4)</sup>	N/A	11,370 <sup>(7)</sup>
Total	3,428,886	N/A	12,115,568

- (1) Our shareholders have approved the following plans: (a) Stock Incentive Plan of 2007 (2007 Plan), (b) Unum Group 2020 Employee Stock Purchase Plan (ESPP), (c) Stock Incentive Plan of 2012 (2012 Plan), (d) Unum European Holding Company Limited Savings-Related Share Option Scheme 2016 (2016 SAYE), (e) Stock Incentive Plan of 2017 (2017 Plan), and (f) Unum European Holding Company Limited Savings-Related Share Option Scheme 2021 (2021 SAYE).
- (2) Our shareholders have not approved the Unum Group Amended and Restated Non-Employee Director Compensation Plan of 2004 (2004 NED Plan).
- (3) Includes 39,760 shares issuable upon the exercise of outstanding options, 2,084,179 performance-based restricted stock units (RSUs), 66,819 deferred share rights issuable pursuant to outstanding awards (including dividend equivalents accrued thereon), and 1,201,678 performance share units (PSUs) assuming maximum achievement. The awards shown are issuable under the 2007 Plan, the 2012 Plan, and the 2017 Plan.
- (4) Consists of 33,676 deferred share rights (each representing the right to one share of common stock), and 2,774 deferred RSUs, including dividend equivalents accrued thereon, granted to non-employee directors under the 2004 NED Plan in accordance with the deferral elections of such directors in respect of cash retainers and meeting fees payable to them.
- (5) RSUs, PSUs, and deferred share rights are not included in determining the weighted average exercise price in column (b) because they have no exercise price.
- (6) Includes 70,139 shares and 115,635 shares available for future issuance as dividend equivalents in respect of outstanding awards under the 2007 Plan and the 2012 Plan, respectively, which were otherwise replaced by the 2017 Plan for purposes of granting new awards; 10,118,950 shares remaining available for future issuance under the 2017 Plan; 1,400,172 shares remaining available for issuance under the ESPP; 199,302 shares remaining available for future issuance under the 2016 SAYE, and 200,000 shares remaining available for future issuance under the 2021 SAYE. Any award outstanding under the 2012 Plan as of the effective date of the 2017 Plan that after such date is not issued because the award is forfeited, terminates, expires or otherwise lapses without being exercised, or is settled for cash, will be returned to the 2017 Plan. Each PSU, RSU or other full-value award under the 2017 Plan is counted as 1.76 shares.
- (7) Represents number of shares available for future issuance as dividend equivalents in respect of outstanding awards under the 2004 NED Plan.

Below is a brief description of the equity compensation plans not approved by shareholders.

*Unum Group Amended and Restated Non-Employee Director Compensation Plan of 2004*

This plan provided for the payment of annual retainers and meeting fees (discontinued in May 2011) to the non-employee directors who served on our Board of Directors. Under the plan, directors made an irrevocable election each year to receive all or a portion of their retainers and meeting fees in either cash or deferred share rights. A deferred share right is a right to receive one share of common stock on the earlier of (i) the director's separation from service as a director of the company, or (ii) another designated date at least three years after the date of the deferral election. The number of deferred share rights granted is calculated as the number of whole shares equal to (i) the dollar amount of the annual retainer and/or fees that the director elects to have paid in deferred share rights, divided by (ii) the fair market value per share on the grant date. The aggregate number of shares which can be issued under the plan is 500,000. This plan terminated in May 2010 with respect to new awards, though dividend equivalents remain available for future issuance in respect of awards that were outstanding at that time. The plan is administered by the Human Capital Committee. The plan includes provisions restricting the transferability of the deferred share rights, provisions for adjustments to the number of shares available for grants, and the number of shares subject to outstanding grants in the event of recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, or other similar corporate transaction.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this Item with respect to director independence and transactions with related persons is included under the caption "Information About the Board of Directors", sub-caption "Director Independence", and under the caption "Board and Committee Governance", sub-caption "Related Party Transactions and Policy", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item with respect to fees paid to Ernst & Young LLP in 2020 and 2019 and our audit committee's pre-approval policies and procedures are included under the caption "Items to Be Voted On", sub-captions "Independent Auditor Fees" and "Policy for Pre-Approval of Audit and Non-Audit Services", in our definitive proxy statement for the 2021 Annual Meeting of Shareholders and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

	Page
(a) List of Documents filed as part of this report:	
(1) Financial Statements	
The following report and consolidated financial statements of Unum Group and Subsidiaries are included in Item 8.	
Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	107
Consolidated Balance Sheets at December 31, 2020 and 2019	110
Consolidated Statements of Income for the three years ended December 31, 2020	112
Consolidated Statements of Comprehensive Income (Loss) for the three years ended December 31, 2020	113
Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2020	114
Consolidated Statements of Cash Flows for the three years ended December 31, 2020	115
Notes to Consolidated Financial Statements	116
(2) Financial Statement Schedules	
I. Summary of Investments - Other than Investments in Related Parties	218
II. Condensed Financial Information of Registrant	219
III. Supplementary Insurance Information	225
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Schedules not referred to have been omitted as inapplicable or because they are not required by Regulation S-X.	
(3) Exhibits	
Index to Exhibits	229

**SCHEDULE I--SUMMARY OF INVESTMENTS -  
OTHER THAN INVESTMENTS IN RELATED PARTIES**

as of December 31, 2020

**Unum Group and Subsidiaries**

Type of Investment	Cost or Amortized Cost (1)	Fair Value	Amount shown on the balance sheet
	(in millions of dollars)		
<b>Fixed Maturity Securities:</b>			
<b>Bonds</b>			
United States Government and Government Agencies and Authorities	\$ 559.0	\$ 709.8	\$ 709.8
States, Municipalities, and Political Subdivisions	3,609.9	4,261.2	4,261.2
Foreign Governments	902.9	1,168.2	1,168.2
Public Utilities	5,486.4	6,962.3	6,962.3
Mortgage/Asset-Backed Securities	1,019.9	1,107.7	1,107.7
All Other Corporate Bonds	24,958.8	29,918.6	29,918.6
Redeemable Preferred Stocks	9.6	9.5	9.5
Total Fixed Maturity Securities	<u>36,546.5</u>	<u>44,137.3</u>	<u>44,137.3</u>
Mortgage Loans	2,445.2		2,432.1
Policy Loans	3,683.9		3,683.9
<b>Other Long-term Investments</b>			
Derivatives	—		19.8 (2)
Perpetual Preferred Equity Securities	32.6		28.3 (3)
Private Equity Partnerships	720.9		747.5 (3)
Miscellaneous Long-term Investments	165.2		164.6
Short-term Investments	<u>1,470.0</u>		<u>1,470.0</u>
<b>Total Investments</b>	<u>\$ 45,064.3</u>		<u>\$ 52,683.5</u>

- (1) The amortized cost for fixed maturity securities and mortgage loans represents original cost reduced by repayments, write-downs from declines in fair value, amortization of premiums, and/or accretion of discounts. The amortized cost for these investments does not include allowance for expected credit losses.
- (2) Derivatives are carried at fair value.
- (3) The difference between amortized cost and carrying value for private equity partnerships and perpetual preferred equity securities primarily results from changes in the partnership owner's equity and the issuer's equity since acquisition, respectively.

**SCHEDULE II--CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**Unum Group (Parent Company)**

**BALANCE SHEETS**

	December 31	
	2020	2019
	(in millions of dollars)	
<b>Assets</b>		
Fixed Maturity Securities - at fair value (amortized cost: \$349.5; \$122.3)	\$ 355.1	\$ 125.6
Other Long-term Investments	10.6	35.2
Short-term Investments	164.5	604.4
Investment in Subsidiaries	14,122.6	12,820.9
Deferred Income Tax	158.8	122.7
Other Assets	496.7	488.9
<b>Total Assets</b>	<b>\$ 15,308.3</b>	<b>\$ 14,197.7</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Short-term Debt	\$ —	\$ 399.7
Long-term Debt	3,345.7	2,846.9
Pension and Postretirement Benefits	677.5	624.2
Other Liabilities	414.1	361.9
<b>Total Liabilities</b>	<b>4,437.3</b>	<b>4,232.7</b>
<b>Stockholders' Equity</b>		
Common Stock	30.7	30.6
Additional Paid-in Capital	2,376.2	2,348.1
Accumulated Other Comprehensive Income	374.2	37.3
Retained Earnings	11,269.6	10,728.7
Treasury Stock	(3,179.7)	(3,179.7)
<b>Total Stockholders' Equity</b>	<b>10,871.0</b>	<b>9,965.0</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 15,308.3</b>	<b>\$ 14,197.7</b>

See notes to condensed financial information.

**SCHEDULE II--CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)**

**Unum Group (Parent Company)**

**STATEMENTS OF OPERATIONS**

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Cash Dividends from Subsidiaries	\$ 974.6	\$ 1,089.4	\$ 1,135.4
Other Income	51.7	63.9	66.6
<b>Total Revenue</b>	<b>1,026.3</b>	<b>1,153.3</b>	<b>1,202.0</b>
Interest and Debt Expense	187.1	173.2	161.4
Cost Related to Early Retirement of Debt	—	27.3	—
Other Expenses	51.1	53.4	53.4
<b>Total Expenses</b>	<b>238.2</b>	<b>253.9</b>	<b>214.8</b>
<b>Income of Parent Company Before Income Tax</b>	<b>788.1</b>	<b>899.4</b>	<b>987.2</b>
Income Tax Benefit	(15.3)	(21.5)	(1.7)
<b>Income of Parent Company</b>	<b>803.4</b>	<b>920.9</b>	<b>988.9</b>
Equity in Undistributed Earnings (Loss) of Subsidiaries	(10.4)	179.4	(465.5)
<b>Net Income</b>	<b>793.0</b>	<b>1,100.3</b>	<b>523.4</b>
Other Comprehensive Income (Loss), Net of Tax	336.9	851.5	(924.2)
<b>Comprehensive Income (Loss)</b>	<b>\$ 1,129.9</b>	<b>\$ 1,951.8</b>	<b>\$ (400.8)</b>

See notes to condensed financial information.



**SCHEDULE II--CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)**

**Unum Group (Parent Company)**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
<b>Cash Provided by Operating Activities</b>	\$ 964.0	\$ 1,000.0	\$ 1,052.1
<b>Cash Flows from Investing Activities</b>			
Proceeds from Maturities of Fixed Maturity Securities	138.8	16.6	52.5
Proceeds from Sales and Maturities of Other Investments	46.6	5.6	—
Purchase of Fixed Maturity Securities	(384.7)	—	(47.9)
Purchase of Other Investments	(22.0)	—	(22.3)
Net Sales (Purchases) of Short-term Investments	440.6	(309.0)	192.6
Cash Distributions to Subsidiaries	(965.5)	(389.0)	(530.8)
Net Purchases of Property and Equipment	(81.6)	(85.9)	(73.2)
Acquisition of Business	—	—	(146.1)
<b>Cash Used by Investing Activities</b>	<b>(827.8)</b>	<b>(761.7)</b>	<b>(575.2)</b>
<b>Cash Flows from Financing Activities</b>			
Short-term Debt Repayment	(400.0)	—	(200.0)
Issuance of Long-term Debt	494.1	841.9	290.7
Long-term Debt Repayment	—	(433.1)	—
Cost Related to Early Retirement of Debt	—	(25.9)	—
Issuance of Common Stock	4.4	6.1	4.6
Repurchase of Common Stock	—	(400.3)	(356.2)
Dividends Paid to Stockholders	(231.9)	(229.2)	(215.6)
Other, Net	(1.4)	(3.7)	(9.3)
<b>Cash Used by Financing Activities</b>	<b>(134.8)</b>	<b>(244.2)</b>	<b>(485.8)</b>
<b>Increase (Decrease) in Cash</b>	<b>\$ 1.4</b>	<b>\$ (5.9)</b>	<b>\$ (8.9)</b>

See notes to condensed financial information.

**SCHEDULE II--CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)**

**Unum Group (Parent Company)**

**NOTES TO CONDENSED FINANCIAL INFORMATION**

**Note 1 - Basis of Presentation**

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Unum Group and subsidiaries.

**Note 2 - Debt**

Debt consists of the following:

	Interest Rates	Maturities	December 31	
			2020	2019
(in millions of dollars)				
<b>Long-term Debt</b>				
Outstanding Principal				
Senior Notes issued 1998	6.750 - 7.250%	2028	\$ 335.8	\$ 335.8
Senior Notes issued 2002	7.375%	2032	39.5	39.5
Senior Notes issued 2012 and 2016	5.750%	2042	500.0	500.0
Senior Notes issued 2014	4.000%	2024	350.0	350.0
Senior Notes issued 2015	3.875%	2025	275.0	275.0
Senior Notes issued 2019	4.000%	2029	400.0	400.0
Senior Notes issued 2019	4.500%	2049	450.0	450.0
Senior Notes issued 2020	4.500%	2025	500.0	—
Medium-term Notes issued 1990 - 1996	7.000 - 7.190%	2023 - 2028	20.5	20.5
Junior Subordinated Debt Securities issued 1998	7.405%	2038	203.7	203.7
Junior Subordinated Debt Securities issued 2018	6.250%	2058	300.0	300.0
Fair Value Hedge Adjustment			—	(0.6)
Less:				
Unamortized Net Premium			6.0	8.4
Unamortized Debt Issuance Costs			(34.8)	(35.4)
<b>Total Long-term Debt</b>			<u>3,345.7</u>	<u>2,846.9</u>
<b>Short-term Debt</b>				
Outstanding Principal				
Senior Notes issued 2010	5.625%	2020	—	400.0
Less Unamortized Debt Issuance Costs			—	(0.3)
<b>Total Short-term Debt</b>			<u>—</u>	<u>399.7</u>
<b>Total Debt</b>			<u>\$ 3,345.7</u>	<u>\$ 3,246.6</u>

The medium-term notes are non-callable. The junior subordinated debt securities are callable under limited, specified circumstances. The remaining debt is callable and may be redeemed, in whole or in part, at any time. The aggregate contractual principal maturities are \$2.0 million in 2023, \$350.0 million in 2024, \$775.0 million in 2025, and \$2,247.5 million thereafter.

## SCHEDULE II--CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

### Unum Group (Parent Company)

#### NOTES TO CONDENSED FINANCIAL INFORMATION - CONTINUED

##### *Unsecured Notes*

In September 2020, our \$400.0 million 5.625% senior unsecured notes matured.

In May 2020, we issued \$500.0 million of 4.500% senior notes due 2025. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

During 2019 we purchased and retired (i) \$30.3 million aggregate principal amount of our 7.190% medium-term notes due 2028; (ii) \$30.0 million aggregate principal amount of our 7.250% senior notes due 2028; and (iii) \$350.0 million aggregate principal amount of our 3.000% senior notes due 2021.

In September 2019, we issued \$450.0 million of 4.500% senior notes due 2049. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In June 2019, we issued \$400.0 million of 4.000% senior notes due 2029. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In July 2018, our \$200.0 million 7.000% senior unsecured notes matured.

##### *Fair Value Hedges*

As of December 31, 2019, we had \$250.0 million notional amount of an interest rate swap which effectively converted certain of our unsecured senior notes into floating rate debt. Under this agreement, we received a fixed rate of interest and paid a variable rate of interest, based off of three-month LIBOR. During 2020, the \$250.0 million notional amount of the interest rate swap matured in conjunction with the maturity of the hedged debt.

##### *Junior Subordinated Debt Securities*

In May 2018, we issued \$300.0 million of 6.250% junior subordinated notes due 2058. The notes are redeemable at or above par on or after June 15, 2023 and rank equally in the right of payment with our other junior subordinated debt securities.

In 1998, Provident Financing Trust I (the Trust), a 100 percent-owned finance subsidiary of Unum Group, issued \$300.0 million of 7.405% capital securities due 2038 in a public offering. These capital securities are fully and unconditionally guaranteed by Unum Group, have a liquidation value of \$1,000 per capital security, and have a mandatory redemption feature under certain circumstances. In connection with the capital securities offering, Unum Group issued to the Trust 7.405% junior subordinated deferrable interest debentures due 2038. The Trust is a variable interest entity of which Unum Group is not the primary beneficiary. Accordingly, the capital securities issued by the Trust are not included in the consolidated financial statements of Unum Group and subsidiaries and our liability represents the junior subordinated debt securities owed to the trust which is recorded in long-term debt. The sole assets of the Trust are the junior subordinated debt securities. The retirement of any liquidation amount regarding the capital securities by the Trust results in a corresponding retirement of principal amount of the junior subordinated debt securities.

During 2019, the Trust purchased and retired \$22.8 million aggregate liquidation amount of the 7.405% capital securities due 2038, which resulted in our purchase and retirement of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038.

##### *Cost Related to Early Retirement of Debt*

During 2019, we incurred costs of \$27.3 million related to the early retirement of certain of our unsecured notes and junior subordinated debt securities as previously discussed.

### ***Interest Paid***

Interest paid on long-term and short-term debt and related securities during 2020, 2019, and 2018 was \$176.6 million, \$168.4 million, and \$161.4 million, respectively.

### ***Credit Facilities***

We have access to two separate unsecured revolving credit facilities, each with a different syndicate of lenders. One of our credit facilities is under a five-year agreement and is effective through April 2024. The terms of this agreement provide for a borrowing capacity of \$500.0 million with an option to be increased up to \$700.0 million. We may also request, on up to two occasions, that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, letters of credit totaling \$0.6 million had been issued from this credit facility, but there were no borrowed amounts outstanding.

Our other credit facility is under a three-year agreement and is effective until April 2022. The terms of this agreement provide for a borrowing capacity of \$100.0 million with an option to be increased up to \$140.0 million. We may also request that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At December 31, 2020, there have been no letters of credit issued from the credit facility and there were no borrowed amounts outstanding.

Borrowings under the credit facilities are for general corporate uses and are subject to financial covenants, negative covenants, and events of default that are customary. The two primary financial covenants include limitations based on our leverage ratio and consolidated net worth. We are also subject to covenants that limit subsidiary indebtedness. The credit facilities provide for borrowings at an interest rate based either on the prime rate or LIBOR.

**SCHEDULE III--SUPPLEMENTARY INSURANCE INFORMATION**

**Unum Group and Subsidiaries**

Segment	Deferred Acquisition Costs	Reserves for Future Policy Contract Benefits	Unearned Premiums	Policy and Contract Benefits
(in millions of dollars)				
<b>December 31, 2020</b>				
Unum US	\$ 1,168.7	\$ 11,681.4	\$ 44.0	\$ 1,191.2
Unum International	32.0	2,794.2	123.3	175.6
Colonial Life	1,071.9	2,628.5	36.9	217.2
Closed Block	—	32,548.9	145.1	271.4
<b>Total</b>	<u>\$ 2,272.6</u>	<u>\$ 49,653.0</u>	<u>\$ 349.3</u>	<u>\$ 1,855.4</u>
<b>December 31, 2019</b>				
Unum US	\$ 1,223.0	\$ 11,367.8	\$ 46.0	\$ 1,117.5
Unum International	26.4	2,566.6	129.9	157.3
Colonial Life	1,074.6	2,477.2	36.8	189.4
Closed Block	—	31,368.5	151.2	281.3
<b>Total</b>	<u>\$ 2,324.0</u>	<u>\$ 47,780.1</u>	<u>\$ 363.9</u>	<u>\$ 1,745.5</u>

**SCHEDULE III--SUPPLEMENTARY INSURANCE INFORMATION (Continued)**

**Unum Group and Subsidiaries**

Segment	Premium Income	Net Investment Income <sup>1</sup>	Benefits and Change in Reserves for Future Benefits <sup>2</sup>	Amortization of Deferred Acquisition Costs	All Other Expenses <sup>3</sup>	Premiums Written <sup>4</sup>
	(in millions of dollars)					
<b>December 31, 2020</b>						
Unum US	\$ 6,018.9	\$ 720.3	\$ 4,138.7	\$ 341.0	\$ 1,589.0	\$ 4,088.6
Unum International	652.8	104.6	500.9	7.4	173.0	456.0
Colonial Life	1,712.0	155.7	906.5	257.7	369.2	1,252.4
Closed Block	994.4	1,370.3	3,426.8	—	240.2	979.3
Corporate	—	9.8	—	—	247.7	—
<b>Total</b>	<b>\$ 9,378.1</b>	<b>\$ 2,360.7</b>	<b>\$ 8,972.9</b>	<b>\$ 606.1</b>	<b>\$ 2,619.1</b>	
<b>December 31, 2019</b>						
Unum US	\$ 6,016.6	\$ 739.4	\$ 4,022.1	\$ 344.0	\$ 1,501.6	\$ 4,073.9
Unum International	630.5	122.5	469.8	7.1	168.8	443.7
Colonial Life	1,685.0	148.0	865.0	258.8	368.1	1,249.6
Closed Block	1,033.5	1,404.9	2,139.3	—	232.7	1,020.8
Corporate	—	20.5	—	—	239.5	—
<b>Total</b>	<b>\$ 9,365.6</b>	<b>\$ 2,435.3</b>	<b>\$ 7,496.2</b>	<b>\$ 609.9</b>	<b>\$ 2,510.7</b>	
<b>December 31, 2018</b>						
Unum US	\$ 5,736.4	\$ 778.7	\$ 3,856.5	\$ 315.1	\$ 1,447.4	\$ 3,873.0
Unum International	568.8	117.2	419.8	8.2	144.5	455.5
Colonial Life	1,603.8	151.2	824.9	242.2	353.9	1,277.3
Closed Block	1,077.1	1,377.1	2,919.2	—	235.7	1,065.7
Corporate	—	29.5	—	—	203.3	—
<b>Total</b>	<b>\$ 8,986.1</b>	<b>\$ 2,453.7</b>	<b>\$ 8,020.4</b>	<b>\$ 565.5</b>	<b>\$ 2,384.8</b>	

<sup>1</sup> Net investment income is allocated based upon segmentation. Each segment has its own specifically identified assets and receives the investment income generated by those assets.

<sup>2</sup> Included in 2020 and 2018 are reserve increases of \$151.5 million and \$750.8 million, respectively in the Closed Block segment related to our long-term care business, as well as a reserve increase of \$17.5 million in 2020 related to our group pension Closed Block business. Also included in 2020 is an increase in benefits and change in reserves for future benefits of \$1,284.5 million in 2020 resulting from the recognition of the adjustment related to unrealized investment gains and losses previously recognized in accumulated other comprehensive income related to the Closed Block individual disability reinsurance transaction.

<sup>3</sup> Includes commissions, interest and debt expense, cost related to early retirement of debt, deferral of acquisition costs, compensation expense, and other expenses. Where not directly attributable to a segment, expenses are generally allocated based on activity levels, time information, and usage statistics. Included in 2020 is the amortization of the cost of reinsurance of \$2.6 million and transaction costs of \$21.0 million related to the Closed Block individual disability reinsurance transaction. Also included in 2020 is a ROU asset impairment of \$12.7 million related to one of our operating leases for office space that we do not plan to continue using to support general operations and costs related to organizational design updates of \$23.3 million in Corporate.

<sup>4</sup> Excludes life insurance.

**SCHEDULE IV--REINSURANCE**

**Unum Group and Subsidiaries**

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage Amount Assumed to Net
	(in millions of dollars)				
<b>Year Ended December 31, 2020</b>					
Life Insurance in Force	\$ 979,755.7	\$ 41,550.9	\$ 896.4	\$ 939,101.2	0.1 %
Premium Income:					
Life Insurance	\$ 2,536.8	\$ 141.9	\$ 8.0	\$ 2,402.9	0.3 %
Accident, Health, and Other Insurance	7,085.1	196.0	86.1	6,975.2	1.2 %
Total	\$ 9,621.9	\$ 337.9	\$ 94.1	\$ 9,378.1	1.0 %
<b>Year Ended December 31, 2019</b>					
Life Insurance in Force	\$ 990,371.0	\$ 41,669.8	\$ 1,018.4	\$ 949,719.6	0.1 %
Premium Income:					
Life Insurance	\$ 2,549.7	\$ 137.2	\$ 8.2	\$ 2,420.7	0.3 %
Accident, Health, and Other Insurance	7,026.6	190.0	108.3	6,944.9	1.6 %
Total	\$ 9,576.3	\$ 327.2	\$ 116.5	\$ 9,365.6	1.2 %
<b>Year Ended December 31, 2018</b>					
Life Insurance in Force	\$ 937,300.8	\$ 40,902.8	\$ 1,089.3	\$ 897,487.3	0.1 %
Premium Income:					
Life Insurance	\$ 2,442.1	\$ 138.2	\$ 8.7	\$ 2,312.6	0.4 %
Accident, Health, and Other Insurance	6,729.0	189.4	133.9	6,673.5	2.0 %
Total	\$ 9,171.1	\$ 327.6	\$ 142.6	\$ 8,986.1	1.6 %

**SCHEDULE V--VALUATION AND QUALIFYING ACCOUNTS**

**Unum Group and Subsidiaries**

Description	Balance at Beginning of Year <sup>3</sup>	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts <sup>1</sup>	Deductions <sup>2</sup>	Balance at End of Year
	(in millions of dollars)				
<b>Year Ended December 31, 2020</b>					
Real Estate reserve (deducted from other long-term investments)	\$ 0.3	\$ —	\$ —	\$ 0.3	\$ —
Allowance for expected credit losses (deducted from accounts and premiums receivable)	\$ 23.8	\$ 34.2	\$ 0.1	\$ 19.3	\$ 38.8
Allowance for expected credit losses (deducted from reinsurance recoverable)	\$ 1.8	\$ 10.1	\$ —	\$ 0.2	\$ 11.7
<b>Year Ended December 31, 2019</b>					
Real Estate reserve (deducted from other long-term investments)	\$ 1.5	\$ —	\$ —	\$ 1.2	\$ 0.3
Allowance for doubtful accounts (deducted from accounts and premiums receivable)	\$ 9.9	\$ 5.3	\$ 0.1	\$ 6.9	\$ 8.4
<b>Year Ended December 31, 2018</b>					
Real Estate reserve (deducted from other long-term investments)	\$ 4.2	\$ 0.6	\$ —	\$ 3.3	\$ 1.5
Allowance for doubtful accounts (deducted from accounts and premiums receivable)	\$ 6.4	\$ 5.6	\$ —	\$ 2.1	\$ 9.9

<sup>1</sup> Additions charged to other accounts are comprised of amounts related to fluctuations in the foreign currency exchange rate.

<sup>2</sup> Deductions include amounts deemed to reduce exposure of expected losses on premium and accounts receivables and reinsurance recoverable, probable losses on Real Estate reserve, amounts deemed uncollectible, and amounts related to fluctuations in the foreign currency exchange rate.

<sup>3</sup> ASC 326 "Financial Instruments - Credit Losses" was adopted resulting in a beginning balance adjustment of \$13.5 million to Allowance for expected credit losses (deducted from accounts and premiums receivable) and the now separately reported \$1.8 million beginning balance for Allowance for expected credit losses (deducted from reinsurance recoverable).

Certain items not reported above include the allowance for expected credit losses on mortgage loans, the allowance for credit losses on fixed maturity securities, and the deferred tax asset valuation allowance. See Notes 3 and 7 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for a discussion of these items.



## INDEX TO EXHIBITS

With regard to applicable cross-references in this report, our current, quarterly and annual reports dated on or after May 1, 2003 are filed with the Securities and Exchange Commission under File No. 1-11294 and such reports dated prior to May 1, 2003 are filed with the Securities and Exchange Commission under File No. 1-11834, except as otherwise noted below. Our registration statements have the file numbers noted wherever such statements are identified below.

- (2.1) Master Transaction Agreement, dated December 16, 2020, by and among Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company, Unum Life Insurance Company of America and Commonwealth Annuity and Life Insurance Company (incorporated by reference to Exhibit 2.1 of Unum Group's Form 8-K filed on December 17, 2020).
- (2.2) Reinsurance Agreement, dated December 17, 2020, by and between Provident Life and Accident Insurance Company and Commonwealth Annuity and Life Insurance Company (incorporated by reference to Exhibit 2.1 of Unum Group's Form 8-K filed on December 22, 2020). \*\*
- (2.3) Reinsurance Agreement, dated December 17, 2020, by and between The Paul Revere Life Insurance Company and Commonwealth Annuity and Life Insurance Company (incorporated by reference to Exhibit 2.2 of Unum Group's Form 8-K filed on December 22, 2020). \*\*
- (2.4) Reinsurance Agreement, dated December 17, 2020, by and between Unum Life Insurance Company of America and Commonwealth Annuity and Life Insurance Company (incorporated by reference to Exhibit 2.3 of Unum Group's Form 8-K filed on December 22, 2020). \*\*
- (3.1) Amended and Restated Certificate of Incorporation of Unum Group, effective May 24, 2018 (incorporated by reference to Exhibit 3.1 of our Form 8-K filed on May 25, 2018).
- (3.2) Amended and Restated Bylaws of Unum Group, effective February 18, 2020 (incorporated by reference to Exhibit 3.1 of Unum Group's Form 8-K filed on February 24, 2020).
- (4.1) Indenture for Senior Debt Securities dated as of March 9, 2001 (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-3 (Registration No. 333-100953) filed on November 1, 2002).
- (4.2) Second Supplemental Indenture, dated as of June 18, 2002, between Unum Group and JPMorgan Chase Bank, as Trustee (incorporated by reference to Exhibit 4.2 of our Form 8-K filed on June 21, 2002).
- (4.3) Indenture for Senior Debt Securities, dated as of August 23, 2012, between Unum Group and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of our Form 8-K filed on August 23, 2012).
- (4.4) First Supplemental Indenture for Senior Debt Securities, between Unum Group and The Bank of New York Mellon Trust Company, N.A. dated as of August 20, 2020 (incorporated by reference to Exhibit 4.4 to Unum Group's Registration Statement on Form S-3ASR (Registration No. 333-248208) filed on August 20, 2020).
- (4.5) Form of 5.75% Senior Note due 2042 (incorporated by reference to Exhibit 4.1 of our Form 8-K filed on August 23, 2012).
- (4.6) Form of 4.000% Senior Note due 2024 (incorporated by reference to Exhibit 4.1 of our Form 8-K filed on March 14, 2014).
- (4.7) Form of 3.875% Senior Note due 2025 (incorporated by reference to Exhibit 4.1 of our Form 8-K filed on November 5, 2015).
- (4.8) Indenture for Subordinated Debt Securities, dated as of May 29, 2018, between Unum Group and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of Unum Group's Form 8-K filed on May 29, 2018).
- (4.9) Form of 6.250% Junior Subordinated Notes due 2058 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on May 29, 2018).
- (4.10) Form of 4.000% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on June 13, 2019).
- (4.11) Form of 4.500% Senior Notes due 2049 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on September 11, 2019).
- (4.12) Form of 4.500% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on May 21, 2020).
- (4.13) Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.

*Certain instruments defining the rights of holders of long-term debt securities of our company and our subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. We hereby undertake to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.*

- (10.1) Agreement between Provident Companies, Inc. and certain subsidiaries and American General Corporation and certain subsidiaries dated as of December 8, 1997 (incorporated by reference to Exhibit 10.18 of Provident Companies Inc.'s Form 10-Q for fiscal quarter ended September 30, 1998).
- (10.2) Form of Change in Control Severance Agreement, effective April 25, 2011 (incorporated by reference to Exhibit 10.3 of our Form 10-K for the fiscal year ended December 31, 2014). \*
- (10.3) Form of Change in Control Severance Agreement, effective January 1, 2015 (incorporated by reference to Exhibit 10.4 of our Form 10-K for the fiscal year ended December 31, 2014). \*
- (10.4) Form of Change in Control Severance Agreement, effective August 14, 2018 (incorporated by reference to Exhibit 10.5 of our Form 10-K for the fiscal year ended December 31, 2018). \*
- (10.5) Unum Group Supplemental Pension Plan, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 10.6 of our Form 10-K for the fiscal year ended December 31, 2013). \*
- (10.6) First Amendment to the Unum Group Supplemental Pension Plan, effective as of June 17, 2013 (incorporated by reference to Exhibit 10.7 of our Form 10-K for the fiscal year ended December 31, 2013). \*
- (10.7) Second Amendment to the Unum Group Supplemental Pension Plan, effective as of December 31, 2013 (incorporated by reference to Exhibit 10.8 of our Form 10-K for the fiscal year ended December 31, 2013). \*
- (10.8) Third Amendment to the Unum Group Supplemental Pension Plan, effective as of January 1, 2013 (incorporated by reference to Exhibit 10.8 of our Form 10-K for the fiscal year ended December 31, 2015). \*
- (10.9) Fourth Amendment to the Unum Group Supplemental Pension Plan, effective as of January 1, 2021. \*
- (10.10) Administrative Reinsurance Agreement between Provident Life and Accident Insurance Company and Reassure America Life Insurance Company dated to be effective July 1, 2000 (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on March 2, 2001).
- (10.11) Unum Group Amended and Restated Non-Employee Director Compensation Plan of 2004, as amended (incorporated by reference to Exhibit 10.19 of our Form 10-K for the fiscal year ended December 31, 2008). \*
- (10.12) California Settlement Agreement (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on October 3, 2005).
- (10.13) Amendment to Regulatory Settlement Agreement (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on October 3, 2005).
- (10.14) Unum Group Stock Incentive Plan of 2007, as amended (incorporated by reference to Exhibit 10.26 of our Form 10-K for the fiscal year ended December 31, 2008). \*
- (10.15) Severance Pay Plan for Executive Vice Presidents (EVPs) (incorporated by reference to Exhibit 10.15 of Unum Group's Form 10-K for the fiscal year ended December 31, 2019). \*
- (10.16) Unum Group Stock Incentive Plan of 2012 (incorporated by reference to Appendix A of our Definitive Proxy Statement on Schedule 14A filed on April 12, 2012). \*
- (10.17) Form of Nonqualified Stock Option Agreement for awards under the Unum Group Stock Incentive Plan of 2012 (incorporated by reference to Exhibit 10.3 of our Form 10-Q filed on May 2, 2013). \*
- (10.18) Unum Group Non-Qualified Defined Contribution Retirement Plan, effective January 1, 2014 (incorporated by reference to Exhibit 10.31 of our Form 10-K for the fiscal year ended December 31, 2013). \*
- (10.19) First Amendment to Unum Group Non-Qualified Defined Contribution Retirement Plan, effective as of January 1, 2019. \*
- (10.20) Second Amendment to Unum Group Non-Qualified Defined Contribution Retirement Plan, effective as of January 1, 2020. \*
- (10.21) Amended and Restated Credit Agreement, dated as of April 29, 2019, among Unum Group, as Borrower, the Lenders named therein, and Wells Fargo Bank, National Association, as Administrative Agent, L/C Agent, Fronting Bank and Swingline Lender (incorporated by reference to Exhibit 10.1 of our form 10-Q filed on July 31, 2019).
- (10.22) Letter Agreement with Richard P. McKenney, dated January 30, 2015 (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on February 3, 2015). \*
- (10.23) Severance Agreement between Unum Group and Richard P. McKenney, dated effective as of April 1, 2015 (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on February 3, 2015). \*

- (10.24) Amended and Restated Aircraft Time-Sharing Agreement between Unum Group and Richard P. McKenney, dated as of August 9, 2019. (incorporated by reference to Exhibit 10.1 of our Form 10-Q filed on October 30, 2019).
- (10.25) Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit A of Unum Group's definitive proxy statement on Schedule 14A filed on April 13, 2017). \*
- (10.26) Form of Restricted Stock Unit Agreement with Non-Employee Director for awards under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.2 of Unum Group's Form 8-K filed on May 25, 2017). \*
- (10.27) Form of Restricted Stock Unit Agreement with Employee in U.S. for awards in 2018 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.35 of Unum Group's Form 10-K for the fiscal year ended December 31, 2017). \*
- (10.28) Form of Restricted Stock Unit Agreement with Employee in U.K. for awards in 2018 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.36 of Unum Group's Form 10-K for the fiscal year ended December 31, 2017). \*
- (10.29) Form of Performance Share Unit Agreement with Employee in U.S. for awards in 2018 under the Unum Group Stock Incentive Plan of 2017. (incorporated by reference to Exhibit 10.37 of Unum Group's Form 10-K for the fiscal year ended December 31, 2017). \*
- (10.30) Form of Performance Share Unit Agreement with Employee in U.K. for awards in 2018 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.38 of Unum Group's Form 10-K for the fiscal year ended December 31, 2017). \*
- (10.31) Form of Restricted Stock Unit Agreement with Employee in U.S. for awards in 2019 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.37 of Unum Group's Form 10-K for the fiscal year ended December 31, 2018). \*
- (10.32) Form of Restricted Stock Unit Agreement with Employee in U.K. for awards in 2019 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.38 of Unum Group's Form 10-K for the fiscal year ended December 31, 2018). \*
- (10.33) Form of Performance Share Unit Agreement with Employee in U.S. for awards in 2019 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.39 of Unum Group's Form 10-K for the fiscal year ended December 31, 2018). \*
- (10.34) Form of Performance Share Unit Agreement with Employee in U.K. for awards in 2019 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.40 of Unum Group's Form 10-K for the fiscal year ended December 31, 2018). \*
- (10.35) Form of Restricted Stock Unit Agreement with Employee in U.S. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.37 of Unum Group's Form 10-K for the fiscal year ended December 31, 2019). \*
- (10.36) Form of Cash-Settled Restricted Stock Unit Agreement with Employee in U.S. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.38 of Unum Group's Form 10-K for the fiscal year ended December 31, 2019). \*
- (10.37) Form of Restricted Stock Unit Agreement with Employee in U.K. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.39 of Unum Group's Form 10-K for the fiscal year ended December 31, 2019). \*
- (10.38) Form of Performance Share Unit Agreement with Employee in U.S. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.1 of Unum Group's Form 10-Q filed on May 5, 2020). \*
- (10.39) Form of Performance Share Unit Agreement with Employee in U.K. for awards in 2020 under the Unum Group Stock Incentive Plan of 2017 (incorporated by reference to Exhibit 10.2 of Unum Group's Form 10-Q filed on May 5, 2020). \*
- (10.40) Annual Incentive Plan of Unum Group, as amended and restated effective January 1, 2020. \*
- (10.41) Unum Group 2020 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of Unum Group's Form 8-K filed on June 2, 2020). \*

- (10.42) Form of Success Incentive Plan Cash Success Unit and Stock Success Unit Agreement with Employee in U.S. (incorporated by reference to Exhibit 10.1 of Unum Group's Form 8-K filed on August 26, 2020). \*
- (10.43) Form of Success Incentive Plan Cash Success Unit and Stock Success Unit Agreement with Employee in U.K. (incorporated by reference to Exhibit 10.2 of Unum Group's Form 8-K filed on August 26, 2020). \*
- (10.44) Form of Restricted Stock Unit Agreement with Executive in U.S. for awards in 2021 under the Unum Group Stock Incentive Plan of 2017. \*
- (10.45) Form of Restricted Stock Unit Agreement with Executive in U.K. for awards in 2021 under the Unum Group Stock Incentive Plan of 2017. \*
- (21) Subsidiaries of the Registrant.
- (23) Consent of Independent Registered Public Accounting Firm.
- (24) Power of Attorney.
- (31.1) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (31.2) Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (32.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (32.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (101) The following financial statements from Unum Group's Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 17, 2021, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements, (vii) Financial Statement Schedules.
- (104) Cover Page Interactive Data File (embedded within the Inline XBRL document).

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\* Management contract or compensatory plan required to be filed as an exhibit to this form pursuant to Item 15(c) of Form 10-K.

\*\* Certain confidential information contained in this exhibit has been omitted because it (i) is not material and (ii) would likely cause competitive harm to Unum Group or its subsidiaries if it were to be publicly disclosed.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

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

Date: February 17, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard P. McKenney</u> Richard P. McKenney	President and Chief Executive Officer and a Director (principal executive officer)	February 17, 2021
<u>/s/ Steven A. Zabel</u> Steven A. Zabel	Executive Vice President, Chief Financial Officer (principal financial officer)	February 17, 2021
<u>/s/ Cherie A. Pashley</u> Cherie A. Pashley	Senior Vice President, Chief Accounting Officer (principal accounting officer)	February 17, 2021

Name	Title	Date
* Theodore H. Bunting, Jr.	Director	February 17, 2021
* Susan L. Cross	Director	February 17, 2021
* Susan D. DeVore	Director	February 17, 2021
* Joseph J. Echevarria	Director	February 17, 2021
* Cynthia L. Egan	Director	February 17, 2021
* Kevin T. Kabat	Director	February 17, 2021
* Timothy F. Keaney	Director	February 17, 2021
* Gloria C. Larson	Director	February 17, 2021
* Ronald P. O'Hanley	Director	February 17, 2021
* Francis J. Shammo	Director	February 17, 2021
* By: /s/ J. Paul Jullienne J. Paul Jullienne <i>Attorney-in-Fact</i>		February 17, 2021

## EXHIBIT 31.1

### CERTIFICATION

I, Richard P. McKenney, certify that:

1. I have reviewed this annual report on Form 10-K of Unum Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/ Richard P. McKenney

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Richard P. McKenney

President and Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

## EXHIBIT 31.2

### CERTIFICATION

I, Steven A. Zabel, certify that:

1. I have reviewed this annual report on Form 10-K of Unum Group;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/ Steven A. Zabel

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Steven A. Zabel

Executive Vice President, Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.



**EXHIBIT 32.1**

**STATEMENT OF CHIEF EXECUTIVE OFFICER  
OF UNUM GROUP  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Unum Group (the Company) on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Richard P. McKenney, President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2021

/s/ Richard P. McKenney

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Richard P. McKenney

President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

**STATEMENT OF CHIEF FINANCIAL OFFICER  
OF UNUM GROUP  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Unum Group (the Company) on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Steven A. Zabel, Executive Vice President and Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2021

/s/ Steven A. Zabel

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Steven A. Zabel

Executive Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

## Corporate Directory (as of April 1, 2021)

### Board of Directors

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**Theodore H. Bunting, Jr.**

Retired Group President,  
Utility Operations  
Entergy Corporation

**Cynthia L. Egan**

Retired President,  
Retirement Plan Services  
T. Rowe Price Group, Inc.

**Richard P. McKenney**

President and Chief Executive Officer,  
Unum Group

**Susan L. Cross**

Former Executive Vice President and  
Global Chief Actuary,  
XL Group Ltd

**Kevin T. Kabat**

Chairman of the Board of Unum Group  
Retired Chief Executive Officer,  
Fifth Third Bancorp

**Ronald P. O'Hanley**

Chairman and  
President and Chief Executive Officer,  
State Street Corporation

**Susan D. DeVore**

Chief Executive Officer  
Premier, Inc.

**Timothy F. Keaney**

Former Vice Chairman,  
The Bank of New York Mellon Corporation

**Francis J. Shammo**

Former Chief Financial Officer,  
Verizon Communications, Inc.

**Joseph J. Echevarria**

Retired Chief Executive Officer  
Deloitte LLP

**Gloria C. Larson**

Retired President,  
Bentley University

### Executive Officers

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**Richard P. McKenney**

President and Chief Executive Officer

**Timothy G. Arnold**

Executive Vice President, Voluntary  
Benefits and President, Colonial Life

**Christopher W. Pyne**

Executive Vice President,  
Group Benefits

**Steven A. Zabel**

Executive Vice President,  
Chief Financial Officer

**Puneet Bhasin**

Executive Vice President,  
Chief Information and Digital Officer

**Mark P. Till**

Executive Vice President and  
Chief Executive Officer, Unum International

**Michael Q. Simonds**

Executive Vice President,  
Chief Operating Officer

**Lisa G. Iglesias**

Executive Vice President,  
General Counsel

**Liz Ahmed**

Executive Vice President,  
People and Communications

**Martha D. Leiper**

Executive Vice President,  
Chief Investment Officer

## 2020 Form 10-K

Our Form 10-K for the fiscal year ended December 31, 2020 is included in this Annual Report in its entirety with the exception of certain exhibits. All of the exhibits may be obtained by accessing our filings with the U.S. Securities and Exchange Commission, which are available on our investor relations website under the "SEC Filings" heading at [www.investors.unum.com](http://www.investors.unum.com). In addition, shareholders may request a free copy of any exhibit by contacting the Office of the Corporate Secretary as referenced above.

## Shareholder Information

### Primary Physical Offices

1 Fountain Square  
Chattanooga, TN 37402  
423 294 1011

2211 Congress Street  
Portland, ME 04122  
207 575 2211

1200 Colonial Life Blvd.  
Columbia, SC 29210  
803 798 7000

Milton Court  
Dorking, Surrey RH4 3LZ  
England  
011 44 1306 887766

### Principal Subsidiaries

**Provident Life and  
Accident Insurance Company**  
Chattanooga, Tennessee

**Unum Life Insurance  
Company of America**  
Portland, Maine

**Colonial Life & Accident  
Insurance Company**  
Columbia, South Carolina

**Unum Limited**  
Dorking, England

**The Paul Revere  
Life Insurance Company**  
Worcester, Massachusetts

**First Unum  
Life Insurance Company**  
New York, New York

### Contact Information

#### Investor Relations

Thomas A.H. White  
Senior Vice President, Investor Relations  
1 Fountain Square  
Chattanooga, TN 37402  
423 294 8996

#### Office of the Corporate Secretary

J. Paul Jullienne  
Corporate Secretary  
1 Fountain Square  
Chattanooga, TN 37402  
800 718 8824

#### Transfer Agent

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
800 446 2617

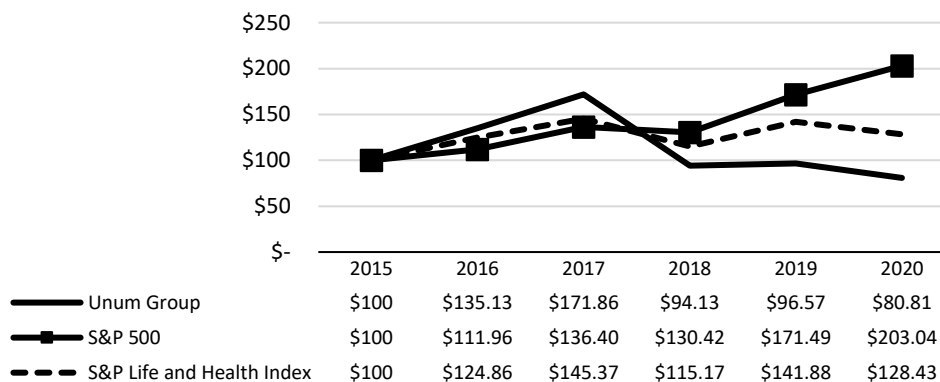
#### Common Stock Information

Common stock of Unum Group is traded  
on the New York Stock Exchange.  
The stock symbol is UNM.

## Stock Performance

The accompanying graph shows a five-year comparison of the cumulative total returns on our common stock, the S&P 500 Index, and the S&P Life & Health Index, assuming a hypothetical \$100 investment in our common stock and in each index on December 31, 2015, including the reinvestment of all dividends. Past performance is not an indication of future results.

### Comparison of Five-Year Cumulative Return





**Unum Group**

1 Fountain Square, Chattanooga, TN 37402

[unum.com](http://unum.com)