Unum Group
Form 10-Q
November 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011

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

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

1 Fountain Square
Chattanooga, Tennessee 37402
(Address of principal executive offices)
423.294.1011
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
292,380,426 shares of the registrant's common stock were outstanding as of October 31, 2011.

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Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Quarterly Report on Form 10-Q (including certain statements in the consolidated financial statements and related notes and Management's Discussion and Analysis), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking. Forward-looking statements are those not based on historical information, but rather relate to future operations, strategies, financial results, or other developments and 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,” “intends,” “projects,” “go “objectives,” or similar expressions in this document or in documents incorporated herein.

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

- Unfavorable economic or business conditions, both domestic and foreign.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- Sustained periods of low interest rates.
- Changes in claim incidence, recovery rates, and offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of claims management operations, and changes in government programs.
- Fluctuation in insurance reserve liabilities.
- Investment results, including but not limited to, realized investment losses resulting from defaults, contractual terms of derivative contracts, and impairments that differ from our assumptions and historical experience.
- The lack of appropriate investments in the market which can be acquired to match our liability cash flows and duration.
- Changes in interest rates, credit spreads, and securities prices.
- Increased competition from other insurers and financial services companies due to industry consolidation or other factors.
- Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, and consumer confidence.
- Changes in accounting standards, practices, or policies.
- Changes in our financial strength and credit ratings.
- Rating agency actions, state insurance department market conduct examinations and other inquiries, other governmental investigations and actions, and negative media attention.
- Effectiveness in managing our operating risks and the implementation of operational improvements and strategic growth initiatives.
- Actual experience in pricing, underwriting, and reserving that deviates from our assumptions.
- Actual persistency and/or sales growth that is higher or lower than projected.
- Effectiveness of our risk management program.
- The level and results of litigation.
- Currency exchange rates.
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- Ability of our subsidiaries to pay dividends as a result of regulatory restrictions.
- Ability and willingness of reinsurers to meet their obligations.
- Changes in assumptions related to intangible assets such as deferred acquisition costs, value of business acquired, and goodwill.
- Events or consequences relating to political instability, terrorism, or acts of war, both domestic and foreign.
- Ability to recover our systems and information in the event of a disaster or unanticipated event and to protect our systems and information from unauthorized access and deliberate attacks.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2010.

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.

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PART I

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	September 30 2011	December 31 2010
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: $36,746.7; $36,546.6)	$42,434.7	$40,035.6
Mortgage Loans	1,606.9	1,516.8
Policy Loans	3,075.1	2,996.1
Other Long-term Investments	611.1	529.3
Short-term Investments	1,035.9	1,163.1
Total Investments	48,763.7	46,240.9
Other Assets		
Cash and Bank Deposits	52.2	53.6
Accounts and Premiums Receivable	1,680.4	1,665.8
Reinsurance Recoverable	4,923.1	4,827.9
Accrued Investment Income	695.5	669.8
Deferred Acquisition Costs	2,572.4	2,521.1
Goodwill	201.2	201.2
Property and Equipment	492.1	476.8
Other Assets	660.3	650.6
Total Assets	$60,040.9	$57,307.7

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	September 30 2011	December 31 2010
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders’ Equity		
Liabilities		
Policy and Contract Benefits	$1,517.5	$1,565.0
Reserves for Future Policy and Contract Benefits	41,633.4	39,715.0
Unearned Premiums	493.5	436.7
Other Policyholders’ Funds	1,603.5	1,669.7
Income Tax Payable	82.6	135.7
Deferred Income Tax	795.3	417.2
Short-term Debt	342.4	225.1
Long-term Debt	2,586.5	2,631.3
Other Liabilities	1,526.1	1,567.6
Total Liabilities	50,580.8	48,363.3
Commitments and Contingent Liabilities - Note 9		
Stockholders’ Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 358,312,558 and 364,842,919 shares	35.8	36.5
Additional Paid-in Capital	2,580.9	2,615.4
Accumulated Other Comprehensive Income (Loss)		
Net Unrealized Gain on Securities Not Other-Than-Temporarily Impaired	885.6	408.3
Net Unrealized Gain on Securities Other-Than-Temporarily Impaired	—	2.1
Net Gain on Cash Flow Hedges	421.1	361.0
Foreign Currency Translation Adjustment	(116.9)	(110.9)
Unrecognized Pension and Postretirement Benefit Costs	(303.6)	(318.6)
Retained Earnings	7,487.3	7,060.8
Treasury Stock - at cost: 65,975,613 and 48,269,467 shares	(1,530.1)	(1,110.2)
Total Stockholders’ Equity	9,460.1	8,944.4
Total Liabilities and Stockholders’ Equity	$60,040.9	$57,307.7

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(in millions of dollars, except share data)			
Revenue				
Premium Income	$1,881.2	$1,850.2	$5,625.7	$5,563.2
Net Investment Income	629.2	618.4	1,885.0	1,861.2
Realized Investment Gain (Loss)				
Total Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	(1.2)	—	(4.2)	(10.4)
Other Net Realized Investment Gain (Loss)	(22.7)	1.1	(8.1)	7.6
Net Realized Investment Gain (Loss)	(23.9)	1.1	(12.3)	(2.8)
Other Income	59.1	58.2	174.8	178.5
Total Revenue	2,545.6	2,527.9	7,673.2	7,600.1
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,635.6	1,587.5	4,828.0	4,736.0
Commissions	220.5	214.0	662.7	640.1
Interest and Debt Expense	35.1	35.2	108.1	102.7
Deferral of Acquisition Costs	(155.6)	(150.9)	(472.1)	(455.5)
Amortization of Deferred Acquisition Costs	125.2	130.6	400.4	407.7
Compensation Expense	198.3	194.1	598.9	582.8
Other Expenses	193.2	190.9	585.7	590.5
Total Benefits and Expenses	2,252.3	2,201.4	6,711.7	6,604.3
Income Before Income Tax	293.3	326.5	961.5	995.8
Income Tax				
Current	54.4	80.6	210.7	250.7
Deferred	33.3	25.1	90.0	84.8
Total Income Tax	87.7	105.7	300.7	335.5
Net Income	$205.6	$220.8	$660.8	$660.3
Net Income Per Common Share				
Basic	$0.69	$0.68	$2.16	$2.01
Assuming Dilution	$0.69	$0.68	$2.15	$2.00

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2011	2010
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year	$36.5	$36.4
Common Stock Activity	0.1	0.1
Retirement of Repurchased Common Shares	(0.8)	—
Balance at End of Period	35.8	36.5
Additional Paid-in Capital		
Balance at Beginning of Year	2,615.4	2,587.4
Common Stock Activity	20.7	23.7
Retirement of Repurchased Common Shares	(55.2)	—
Balance at End of Period	2,580.9	2,611.1
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	341.9	341.0
Change During Period	544.3	152.8
Balance at End of Period	886.2	493.8
Retained Earnings		
Balance at Beginning of Year	7,060.8	6,289.5
Net Income	660.8	660.3
Dividends to Stockholders (per common share: $0.2900; $0.2575)	(90.3)	(85.4)
Retirement of Repurchased Common Shares	(144.0)	—
Balance at End of Period	7,487.3	6,864.4
Treasury Stock		
Balance at Beginning of Year	(1,110.2)	(754.2)
Purchases of Treasury Stock	(419.9)	(327.5)
Balance at End of Period	(1,530.1)	(1,081.7)
Total Stockholders' Equity at End of Period	$9,460.1	$8,924.1

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2011	2010
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$660.8	$660.3
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(45.8)	(44.1)
Change in Deferred Acquisition Costs	(71.7)	(47.8)
Change in Insurance Reserves and Liabilities	321.7	440.4
Change in Income Taxes	41.2	124.5
Change in Other Accrued Liabilities	12.4	(35.9)
Non-cash Adjustments to Net Investment Income	(206.6)	(225.6)
Net Realized Investment Loss	12.3	2.8
Depreciation	60.2	56.1
Other, Net	4.2	(16.9)
Net Cash Provided by Operating Activities	788.7	913.8
Cash Flows from Investing Activities		
Proceeds from Sales of Available-for-Sale Securities	908.8	723.9
Proceeds from Maturities of Available-for-Sale Securities	1,235.0	1,682.4
Proceeds from Sales and Maturities of Other Investments	101.3	102.3
Purchase of Available-for-Sale Securities	(2,162.2)	(2,958.7)
Purchase of Other Investments	(234.3)	(222.1)
Net Sales (Purchases) of Short-term Investments	86.3	(70.3)
Other, Net	(75.9)	(100.4)
Net Cash Used by Investing Activities	(141.0)	(842.9)
Cash Flows from Financing Activities		
Net Short-term Debt Borrowings	117.3	—
Issuance of Long-term Debt	—	396.9
Long-term Debt Repayments	(66.9)	(62.7)
Issuance of Common Stock	7.6	9.4
Repurchase of Common Stock	(619.9)	(324.0)
Dividends Paid to Stockholders	(90.3)	(85.4)
Other, Net	3.2	1.9
Net Cash Used by Financing Activities	(649.0)	(63.9)
Effect of Foreign Exchange Rate Changes on Cash	(0.1)	—
Net Increase (Decrease) in Cash and Bank Deposits	(1.4)	7.0
Cash and Bank Deposits at Beginning of Year	53.6	71.6
Cash and Bank Deposits at End of Period	$52.2	$78.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(in millions of dollars)			
Net Income	$205.6	$220.8	$660.8	$660.3
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gains on Securities Before Reclassification Adjustment:				
Change in Net Unrealized Gains on Securities Not Other-Than-Temporarily Impaired (net of tax expense of $599.6; $474.7; $754.9; $1,071.9)	1,124.5	906.2	1,419.0	2,035.3
Change in Net Unrealized Gains on Securities Other-Than-Temporarily Impaired (net of tax expense (benefit) of $ - ; $0.5; $(1.1); $ -)	—	1.0	(2.1)	0.1
Total Change in Net Unrealized Gains on Securities Before Reclassification Adjustment (net of tax expense of $599.6; $475.2; $753.8; $1,071.9)	1,124.5	907.2	1,416.9	2,035.4
Reclassification Adjustment for Net Realized Investment Gain (net of tax expense of $3.4; $0.4; $4.6; $1.1)	(5.3)	(1.5)	(7.7)	(3.3)
Change in Net Gain on Cash Flow Hedges (net of tax expense (benefit) of $34.7; $(6.0); $32.0; $22.9)	65.2	(11.7)	60.1	42.2
Change in Adjustment to Reserves for Future Policy and Contract Benefits, Net of Reinsurance and Other (net of tax benefit of $378.5; $472.6; $500.2; $1,015.6)	(705.3)	(894.2)	(934.0)	(1,923.8)
Change in Foreign Currency Translation Adjustment (net of tax expense of $ - ; $0.6; $ - ; $0.6)	(34.1)	53.3	(6.0)	(24.7)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense (benefit) of $2.8; $1.9; $6.9; $(3.6))	5.2	2.8	15.0	27.0
Total Other Comprehensive Income	450.2	55.9	544.3	152.8
Comprehensive Income	$655.8	$276.7	$1,205.1	$813.1

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Unum Group and Subsidiaries
September 30, 2011

Note 1 - Basis of Presentation

The accompanying consolidated financial statements of Unum Group and its subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2010.

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

In connection with our preparation of the consolidated financial statements, we evaluated events that occurred subsequent to September 30, 2011 for recognition or disclosure in our financial statements and notes to our financial statements.

Note 2 - Accounting Developments

Accounting Updates Adopted during the First Nine Months of 2011:

Accounting Standards Codification (ASC) 310 “Receivables”

In January and April 2011, the Financial Accounting Standards Board (FASB) deferred the effective date of disclosures about troubled debt restructurings and issued updates providing additional clarification to help creditors in determining whether a creditor has granted a concession as well as whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. We adopted these updates effective July 1, 2011. The adoption of these updates expanded our disclosures but had no effect on our financial position or results of operations.

Accounting Updates Adopted during the First Nine Months of 2010:

ASC 810 “Consolidation”

In June 2009, the FASB issued an update to require a qualitative rather than a quantitative analysis to determine the primary beneficiary of a variable interest entity and require enhanced disclosures about an enterprise's involvement with a variable interest entity. We adopted this update effective January 1, 2010. The adoption of this update had no effect on our financial position or results of operations.

ASC 820 “Fair Value Measurements and Disclosures”

In January 2010, the FASB issued an update to require a number of additional disclosures regarding fair value measurements. Specifically, the update requires a reporting entity to disclose the amounts of significant transfers between Level 1 and Level 2 of the three tier fair value hierarchy and the reasons for these transfers, as well as the reasons for any transfers in or out of Level 3, effective for annual and interim periods beginning after December 15,

2009. The update also requires information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances, and settlements on a gross basis, effective for annual and interim periods beginning after December 15, 2010. We adopted this update in its entirety, including early adoption of the additional Level 3 information, effective January 1, 2010. The adoption of this update expanded our disclosures but had no effect on our financial position or results of operations.

ASC 860 “Transfers and Servicing”

In June 2009, the FASB issued an update to eliminate the exceptions for qualifying special-purpose entities from the consolidation guidance and eliminate the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. In addition, this update clarifies certain requirements for financial assets that are eligible for sale accounting and requires enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. We adopted this update effective January 1, 2010. The adoption of this update had no effect on our financial position or results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2011
Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC 220 “Comprehensive Income”

In June 2011, the FASB issued an update related to the financial statement presentation of comprehensive income. This update requires that changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present net income and its components, followed consecutively by a second statement presenting total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in this update shall be applied retrospectively and are effective for interim and annual periods beginning after December 15, 2011. In October 2011, the FASB tentatively decided to issue an exposure draft to delay the effective date of the presentation requirements for reclassification adjustments to give the FASB time to address concerns expressed by registrants about applying the presentation requirements contained within the update. The adoption of this update will modify our financial statement presentation but will have no effect on our financial position or results of operations.

ASC 350 “Intangibles - Goodwill and Other”

In September 2011, the FASB issued an update which gives companies the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments in this update are effective for goodwill impairment tests performed for interim and annual periods beginning after December 15, 2011. The adoption of this update will have no effect on our financial position or results of operations.

ASC 820 “Fair Value Measurements and Disclosures”

In May 2011, the FASB issued an update to require additional disclosures regarding fair value measurements and to provide clarifying guidance on the application of existing fair value measurement requirements. Specifically, the update requires additional information on Level 1 and Level 2 transfers within the fair value hierarchy; the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed; and information about the sensitivity of a fair value measurement in Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs. The amendments in this update are effective for interim and annual periods beginning after December 15, 2011. The adoption of this update will expand our disclosures but will have no effect on our financial position or results of operations.

ASC 860 “Transfers and Servicing”

In April 2011, the FASB issued an update to revise the criteria for assessing effective control for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The determination of whether the transfer of a financial asset subject to a repurchase agreement is a sale is based, in part, on whether the entity maintains effective control over the financial asset. This update removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial asset on substantially the agreed terms, even in the event of default by the transferee, and the related requirement to demonstrate that the transferor possess adequate collateral to fund substantially all the cost of purchasing replacement financial assets. This update will be effective for interim and annual reporting periods beginning on or after December 15, 2011 and early adoption is prohibited. The adoption of this update will have no effect on our financial position or results of operations.

ASC 944 “Financial Services - Insurance”

In October 2010, the FASB issued an update which is intended to address the diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify as deferred acquisition costs. The amendments in the update modify the existing guidance and require that only incremental direct costs associated with the successful acquisition of a new or renewal insurance contract can be capitalized. All other costs are to be expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2011
Note 2 - Accounting Developments - Continued

The amendments in the update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and permit retrospective application.
Our expected retrospective adoption of this update will result in a reduction in our deferred acquisition cost asset as well as a decrease in the amortization associated with those previously deferred costs. There will also be a reduction in the level of costs we defer subsequent to adoption.
We are evaluating the full effects of implementing this update, but we currently estimate that our retrospective adoption will result in a cumulative effect adjustment to the opening balance of retained earnings of between $400.0 million and $600.0 million in the year of adoption. We currently estimate the adoption of this update will result in an immaterial decrease in net income in 2012 and in the years preceding to which the retrospective adoption will be applied.
Note 3 - Fair Values of Financial Instruments

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

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	$42,434.7	$42,434.7	$40,035.6	$40,035.6
Mortgage Loans	1,606.9	1,789.9	1,516.8	1,685.4
Policy Loans	3,075.1	3,146.0	2,996.1	3,044.4
Other Long-term Investments				
Derivatives	143.2	143.2	99.1	99.1
Equity Securities	10.4	10.4	10.4	10.4
Miscellaneous Long-term Investments	457.5	457.5	419.8	419.8
Liabilities				
Policyholders’ Funds				
Deferred Annuity Products	$642.5	$642.5	$656.3	$656.3
Supplementary Contracts without Life Contingencies	491.8	491.8	508.5	508.5
Short-term Debt	342.4	342.4	225.1	226.8
Long-term Debt	2,586.5	2,589.9	2,631.3	2,483.8
Other Liabilities				
Derivatives	154.7	154.7	199.6	199.6
Embedded Derivative in Modified Coinsurance Arrangement	120.7	120.7	96.3	96.3
Unfunded Commitments to Investment Partnerships	158.6	158.6	169.9	169.9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2011
Note 3 - Fair Values of Financial Instruments - Continued

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

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

Mortgage Loans: Fair values are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings and maturities. Loans with similar characteristics are aggregated for purposes of the calculations.

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. The carrying amounts of ceded policy loans of $2,864.0 million and $2,790.5 million as of September 30, 2011 and December 31, 2010, respectively, are reported on a gross basis in our consolidated balance sheets and approximate fair value.

Miscellaneous Long-term Investments: Carrying amounts approximate fair value.

Policyholders’ Funds: Policyholders' funds are comprised primarily of deferred annuity products and supplementary contracts without life contingencies. The carrying amounts approximate fair value.

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 minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

Short-term and Long-term Debt: Fair values for short-term and long-term debt other than securities lending transactions are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. Carrying amounts for outstanding securities lending transactions approximate fair value.

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

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, derivative financial instruments, and equity securities at fair value in our consolidated balance sheets. The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. An active market for a financial instrument is a market in which transactions for an asset or a similar asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and should be used to measure fair value whenever available. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

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

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach valuation technique provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2011, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2010.

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

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

We review all prices obtained to ensure they are consistent with a variety of observable market inputs and to verify the validity of a security's price. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

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

Fair values for derivatives other than embedded derivatives in modified coinsurance arrangements are based on market quotes or pricing models and represent the net amount of cash we would have paid or received if the contracts had been settled or closed as of the last day of the period. We analyze credit default swap spreads relative to the average credit spread embedded within the London Interbank Offered Rate (LIBOR) setting syndicate in determining the effect of credit risk on our derivatives' fair values. If 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. In regard to our own credit risk component, we adjust the valuation of derivative liabilities wherein the counterparty is exposed to our credit risk when the LIBOR-based valuation of our derivatives obtained from pricing sources does not effectively include an adequate credit component for our own credit risk.

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

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

At September 30, 2011, approximately 15.7 percent of our fixed maturity securities were valued using active trades from TRACE pricing or broker market maker prices for which there was current market activity in that specific security (comparable to receiving one binding quote). The prices obtained were not adjusted, and the assets were classified as Level 1, the highest category of the three-level fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities.

The remaining 84.3 percent of our fixed maturity securities were valued based on non-binding quotes or other observable or unobservable inputs, as discussed below.

- Approximately 68.7 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

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Approximately 4.4 percent of our fixed maturity securities were valued based on one or more non-binding broker price levels, if validated by observable market data, or on TRACE prices for identical or similar assets absent current market activity. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

Approximately 11.2 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

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

The categorization of fair value measurements by input level is as follows:

	September 30, 2011 (in millions of dollars)			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$324.7	$968.9	$—	$1,293.6
States, Municipalities, and Political Subdivisions	31.5	1,554.9	—	1,586.4
Foreign Governments	—	1,474.7	—	1,474.7
Public Utilities	1,131.4	8,973.5	395.8	10,500.7
Mortgage/Asset-Backed Securities	—	3,127.4	19.6	3,147.0
All Other Corporate Bonds	5,183.6	18,725.4	466.8	24,375.8
Redeemable Preferred Stocks	—	34.8	21.7	56.5
Total Fixed Maturity Securities	6,671.2	34,859.6	903.9	42,434.7
Other Long-term Investments				
Derivatives				
Interest Rate Swaps and Forwards	—	140.8	—	140.8
Foreign Exchange Contracts	—	2.4	—	2.4
Total Derivatives	—	143.2	—	143.2
Equity Securities	—	—	10.4	10.4
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$33.5	$—	$33.5
Foreign Exchange Contracts	—	121.2	—	121.2

Embedded Derivative in Modified Coinsurance Arrangement	—	—	120.7	120.7
Total Derivatives	—	154.7	120.7	275.4

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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September 30, 2011
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2010 (in millions of dollars) Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$102.8	$998.9	$—	$1,101.7
States, Municipalities, and Political Subdivisions	301.9	943.3	—	1,245.2
Foreign Governments	0.7	1,408.6	—	1,409.3
Public Utilities	840.1	8,670.5	173.6	9,684.2
Mortgage/Asset-Backed Securities	—	3,384.8	0.7	3,385.5
All Other Corporate Bonds	4,170.7	18,154.3	829.7	23,154.7
Redeemable Preferred Stocks	—	33.3	21.7	55.0
Total Fixed Maturity Securities	5,416.2	33,593.7	1,025.7	40,035.6
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	98.4	—	98.4
Foreign Exchange Contracts	—	0.7	—	0.7
Total Derivatives	—	99.1	—	99.1
Equity Securities	—	8.9	1.5	10.4
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$39.1	$—	$39.1
Foreign Exchange Contracts	—	160.5	—	160.5
Embedded Derivative in Modified Coinsurance Arrangement	—	—	96.3	96.3
Total Derivatives	—	199.6	96.3	295.9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	(in millions of dollars)			
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$177.2	$16.1	$169.8	$—
States, Municipalities, and Political Subdivisions	—	20.0	25.4	301.9
Foreign Governments	—	—	—	0.7
Public Utilities	665.7	694.8	710.5	488.6
All Other Corporate Bonds	1,798.1	2,347.2	2,334.1	1,732.3
Total Fixed Maturity Securities	$2,641.0	$3,078.1	$3,239.8	$2,523.5

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	(in millions of dollars)			
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$17.1	$20.5	$110.8	$—
States, Municipalities, and Political Subdivisions	123.7	40.0	55.4	59.5
Public Utilities	678.9	579.4	616.1	581.0
All Other Corporate Bonds	2,328.7	1,887.6	2,949.3	1,052.4
Redeemable Preferred Stock	—	—	—	5.5
Total Fixed Maturity Securities	$3,148.4	$2,527.5	$3,731.6	$1,698.4

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

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

	Three Months Ended September 30, 2011 (in millions of dollars)							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
Fixed Maturity Securities								
Public Utilities	$217.9	$0.1	$9.3	$30.0	$(11.9)	$220.2	$(69.8)	$395.8
Mortgage/Asset-Backed Securities	19.7	—	(0.1)	—	—	—	—	19.6
All Other Corporate Bonds	528.3	—	1.3	—	(17.6)	119.6	(164.8)	466.8
Redeemable Preferred Stocks	22.6	—	(0.9)	—	—	—	—	21.7
Total Fixed Maturity Securities	788.5	0.1	9.6	30.0	(29.5)	339.8	(234.6)	903.9
Equity Securities	3.6	(0.4)	(2.4)	—	—	9.6	—	10.4
Embedded Derivative in Modified Coinsurance Arrangement	(87.0)	(33.7)	—	—	—	—	—	(120.7)

	Three Months Ended September 30, 2010 (in millions of dollars)							
		Total Realized and Unrealized Investment Gains Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$—	$—	$0.5	$17.7	$—	$—	$—	$18.2
Public Utilities	72.4	—	6.8	—	(1.3)	108.0	(28.0)	157.9
Mortgage/Asset-Backed Securities	1.5	—	—	—	(0.8)	—	—	0.7
All Other Corporate Bonds	430.1	—	11.1	3.1	(5.3)	127.7	(44.1)	522.6
Redeemable Preferred Stocks	21.3	—	—	—	—	—	(21.2)	0.1
Total Fixed Maturity Securities	525.3	—	18.4	20.8	(7.4)	235.7	(93.3)	699.5

Equity Securities	8.9	—	1.8	—	—	—	—	10.7
Embedded Derivative in Modified Coinsurance Arrangement	(122.7)	1.6	—	—	—	—	—	(121.1)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 3 - Fair Values of Financial Instruments - Continued

Nine Months Ended September 30, 2011
(in millions of dollars)

	Beginning of Year	Total Realized and Unrealized Investment Gains (Losses) Included in: Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers: Into	Out of	End of Period
Fixed Maturity Securities								
Public Utilities	$173.6	$0.1	$17.1	$30.0	$(15.7)	$299.7	$(109.0)	$395.8
Mortgage/Asset-Backed Securities	0.7	—	(0.4)	19.4	(0.1)	—	—	19.6
All Other Corporate Bonds	829.7	(2.1)	4.7	41.7	(32.5)	96.2	(470.9)	466.8
Redeemable Preferred Stocks	21.7	—	—	—	—	—	—	21.7
Total Fixed Maturity Securities	1,025.7	(2.0)	21.4	91.1	(48.3)	395.9	(579.9)	903.9
Equity Securities	1.5	(0.4)	(1.7)	2.0	—	9.0	—	10.4
Embedded Derivative in Modified Coinsurance Arrangement	(96.3)	(24.4)	—	—	—	—	—	(120.7)

Nine Months Ended September 30, 2010
(in millions of dollars)

	Beginning of Year	Total Realized and Unrealized Investment Gains (Losses) Included in: Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers: Into	Out of	End of Period
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$—	$—	$0.5	$17.7	$—	$—	$—	$18.2
Public Utilities	264.3	(1.0)	9.9	—	(8.1)	112.5	(219.7)	157.9
Mortgage/Asset-Backed Securities	4.7	—	0.3	—	(4.3)	—	—	0.7
All Other Corporate Bonds	580.0	(1.8)	47.5	3.1	(41.8)	208.6	(273.0)	522.6
Redeemable Preferred Stocks	20.4	—	—	—	—	—	(20.3)	0.1
Total Fixed Maturity Securities	869.4	(2.8)	58.2	20.8	(54.2)	321.1	(513.0)	699.5

Equity Securities	1.5	—	2.4	6.9	(0.1)	—	—	10.7
Embedded Derivative in Modified Coinsurance Arrangement	(117.4)	(3.7)	—	—	—	—	—	(121.1)

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

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Note 3 - Fair Values of Financial Instruments - Continued

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. Losses for the three and nine months ended September 30, 2011 which are included in earnings and are attributable to the change in unrealized gains or losses relating to assets or liabilities valued using significant unobservable inputs and still held at the end of that period were $33.7 million and $24.4 million, respectively. Gains (losses) for the three and nine months ended September 30, 2010 which are included in earnings and are attributable to the change in unrealized gains or losses relating to assets or liabilities valued using significant unobservable inputs and still held at the end of that period were $1.6 million and $(3.7) million, respectively. These amounts relate entirely to the changes in fair value of an embedded derivative in a modified coinsurance arrangement which are reported as realized investment gains and losses.

Note 4 - Investments

Fixed Maturity Securities

At September 30, 2011 and December 31, 2010, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows.

	September 30, 2011 (in millions of dollars)			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
United States Government and Government Agencies and Authorities	$998.8	$296.0	$1.2	$1,293.6
States, Municipalities, and Political Subdivisions	1,360.5	229.0	3.1	1,586.4
Foreign Governments	1,254.3	220.4	—	1,474.7
Public Utilities	8,935.8	1,593.5	28.6	10,500.7
Mortgage/Asset-Backed Securities	2,764.4	386.5	3.9	3,147.0
All Other Corporate Bonds	21,377.1	3,229.8	231.1	24,375.8
Redeemable Preferred Stocks	55.8	2.4	1.7	56.5
Total Fixed Maturity Securities	$36,746.7	$5,957.6	$269.6	$42,434.7

There were no other-than-temporary impairments recognized in accumulated other comprehensive income as of September 30, 2011.

	December 31, 2010 (in millions of dollars)				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Other-Than-Temporary Impairments in AOCI (1)
United States Government and Government Agencies and Authorities	$981.7	$128.6	$8.6	$1,101.7	$—

States, Municipalities, and Political Subdivisions	1,271.0	21.5	47.3	1,245.2	—
Foreign Governments	1,248.6	160.7	—	1,409.3	—
Public Utilities	8,874.2	854.3	44.3	9,684.2	—
Mortgage/Asset-Backed Securities	3,047.8	338.3	0.6	3,385.5	—
All Other Corporate Bonds	21,067.5	2,221.3	134.1	23,154.7	3.9
Redeemable Preferred Stocks	55.8	1.7	2.5	55.0	—
Total Fixed Maturity Securities	$36,546.6	$3,726.4	$237.4	$40,035.6	$3.9

(1) Accumulated Other Comprehensive Income (Loss)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 4 - Investments - Continued

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

	September 30, 2011 (in millions of dollars)			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
United States Government and Government Agencies and Authorities	$—	$—	$6.2	$1.2
States, Municipalities, and Political Subdivisions	4.8	0.1	89.8	3.0
Public Utilities	211.8	19.7	74.7	8.9
Mortgage/Asset-Backed Securities	95.5	3.1	20.8	0.8
All Other Corporate Bonds	2,315.6	118.8	639.5	112.3
Redeemable Preferred Stocks	—	—	21.1	1.7
Total Fixed Maturity Securities	$2,627.7	$141.7	$852.1	$127.9

	December 31, 2010 (in millions of dollars)			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
United States Government and Government Agencies and Authorities	$23.9	$3.1	$10.9	$5.5
States, Municipalities, and Political Subdivisions	660.6	28.4	100.3	18.9
Public Utilities	1,073.8	41.0	41.0	3.3
Mortgage/Asset-Backed Securities	34.5	0.1	45.5	0.5
All Other Corporate Bonds	1,667.2	48.3	1,071.7	85.8
Redeemable Preferred Stocks	7.6	0.4	20.7	2.1
Total Fixed Maturity Securities	$3,467.6	$121.3	$1,290.1	$116.1

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

	September 30, 2011 (in millions of dollars)				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
1 year or less	$669.6	$13.4	$636.9	$0.2	$45.9
Over 1 year through 5 years	5,061.2	442.7	4,956.9	15.7	531.3
Over 5 years through 10 years	9,563.7	1,191.2	9,257.3	98.5	1,399.1
Over 10 years	18,687.8	3,923.8	21,073.1	151.3	1,387.2
	33,982.3	5,571.1	35,924.2	265.7	3,363.5
Mortgage/Asset-Backed Securities	2,764.4	386.5	3,030.7	3.9	116.3

Total Fixed Maturity Securities	$36,746.7	$5,957.6	$38,954.9	$269.6	$3,479.8

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
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Note 4 - Investments - Continued

	December 31, 2010 (in millions of dollars)				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
1 year or less	$685.7	$10.9	$532.6	$0.4	$163.6
Over 1 year through 5 years	4,740.6	394.1	4,886.3	5.5	242.9
Over 5 years through 10 years	9,501.6	931.6	9,415.0	37.1	981.1
Over 10 years	18,570.9	2,051.5	17,138.5	193.8	3,290.1
	33,498.8	3,388.1	31,972.4	236.8	4,677.7
Mortgage/Asset-Backed Securities	3,047.8	338.3	3,305.5	0.6	80.0
Total Fixed Maturity Securities	$36,546.6	$3,726.4	$35,277.9	$237.4	$4,757.7

At September 30, 2011, the fair value of investment-grade fixed maturity securities was $39,732.2 million, with a gross unrealized gain of $5,889.0 million and a gross unrealized loss of $146.0 million. The gross unrealized loss on investment-grade fixed maturity securities was 54.2 percent of the total gross unrealized loss on fixed maturity securities. Unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities.

At September 30, 2011, the fair value of below-investment-grade fixed maturity securities was $2,702.5 million, with a gross unrealized gain of $68.6 million and a gross unrealized loss of $123.6 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 45.8 percent of the total gross unrealized loss on fixed maturity securities. Generally, below-investment-grade fixed maturity securities are more likely to develop credit concerns than investment-grade securities. At September 30, 2011, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of September 30, 2011, we held 96 individual investment-grade fixed maturity securities and 82 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 44 investment-grade fixed maturity securities and 23 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year.

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

- Whether we expect to recover the entire amortized cost basis of the security
- Whether we intend to sell the security or will be required to sell the security before the recovery of its amortized cost basis
- Whether the security is current as to principal and interest payments
- The significance of the decline in value
- The time period during which there has been a significant decline in value

- Current and future business prospects and trends of earnings
- The valuation of the security’s underlying collateral
- Relevant industry conditions and trends relative to their historical cycles
- Market conditions
- Rating agency and governmental actions
- Bid and offering prices and the level of trading activity
- Adverse changes in estimated cash flows for securitized investments
- Changes in fair value subsequent to the balance sheet date
- Any other key measures for the related security

We evaluate available information, including the factors noted above, both positive and negative, in reaching our conclusions. In particular, we also consider the strength of the issuer's balance sheet, its debt obligations and near term funding requirements, cash flow and liquidity, the profitability of its core businesses, the availability of marketable assets which could be sold to increase liquidity, its industry fundamentals and regulatory environment, and its access to capital markets. Although 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 impairments are other than temporary. The significance of the decline in value and the length of time during which there has been a significant decline are also important factors, but we generally do not record an impairment loss based solely on these two factors, since often other more relevant factors will impact our evaluation of a security.

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

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

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

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The following table presents the before-tax credit related portion of other-than-temporary impairments on fixed maturity securities still held as of the dates shown for which a portion of the other-than-temporary impairment was recognized in other comprehensive income.

	Nine Months Ended	Three and Nine Months Ended
	September 30, 2011	September 30, 2010
	(in millions of dollars)	
Balance at Beginning of Period	$8.5	$18.3
Sales or Maturities of Securities	(8.5)	—
Balance at End of Period	$—	$18.3

There was no activity for the three months ended September 30, 2011 or for the three and nine months ended September 30, 2010.

At September 30, 2011, we had non-binding commitments of $28.7 million to fund private placement fixed maturity securities.

Variable Interest Entities

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

As of September 30, 2011, the carrying amount of our variable interest entity investments that are not consolidated under the provisions of GAAP was $405.1 million, comprised of $310.2 million of tax credit partnerships and $94.9 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

Additionally, we recognize a liability for all legally binding unfunded commitments to these partnerships, with a corresponding recognition of an invested asset. Our liability for legally binding unfunded commitments to the tax credit partnerships was $158.6 million at September 30, 2011. Contractually, we are a limited partner in these investments, and our maximum exposure to loss is limited to the carrying value of our investment. We also had non-binding commitments of $57.3 million to fund certain private equity partnerships at September 30, 2011.

We are the sole beneficiary of a special purpose entity which is consolidated under the provisions of GAAP. This entity is a securitized asset trust containing a highly rated bond for principal protection, nonredeemable preferred stock, and several partnership equity investments. We contributed the bond and partnership investments into the trust at the time it was established. The trust supports our investment objectives and allows us to maintain our investment in the partnerships while at the same time protecting the principal of the investment. There are no restrictions on the assets held in this trust, and the trust is free to dispose of the assets at any time. Because the assets in the trust are not liquid investments, we periodically provide funding to the underlying partnerships in the trust upon satisfaction of contractual notice from the partnerships. The fair values of the bond, nonredeemable preferred stock, and partnerships were $122.8 million, $0.1 million, and $8.5 million, respectively, as of September 30, 2011. The bonds are reported as fixed maturity securities, and the nonredeemable preferred stock and partnerships are reported as other long-term investments in our consolidated balance sheets. At September 30, 2011, we had non-binding commitments to fund approximately $0.5 million to the underlying partnerships. The amount of funding provided to the partnerships during the three and nine months ended September 30, 2011 and 2010 was de minimis.

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Mortgage Loans

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

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

	September 30, 2011			December 31, 2010		
	Carrying Amount	Percent of Total		Carrying Amount	Percent of Total	
	(in millions of dollars)					
Property Type						
Apartment	$28.1	1.7	%	$33.7	2.2	%
Industrial	518.2	32.3		458.2	30.2	
Mixed	94.1	5.9		95.8	6.3	
Office	658.1	41.0		634.7	41.9	
Retail	301.2	18.7		286.9	18.9	
Other	7.2	0.4		7.5	0.5	
Total	$1,606.9	100.0	%	$1,516.8	100.0	%
Region						
New England	$148.2	9.2	%	$146.8	9.7	%
Mid-Atlantic	172.3	10.7		184.8	12.2	
East North Central	214.0	13.3		171.7	11.3	
West North Central	152.4	9.5		134.6	8.9	
South Atlantic	390.5	24.3		372.0	24.5	
East South Central	52.7	3.3		26.9	1.8	
West South Central	161.9	10.1		171.8	11.3	
Mountain	59.2	3.7		60.7	4.0	
Pacific	255.7	15.9		247.5	16.3	
Total	$1,606.9	100.0	%	$1,516.8	100.0	%

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

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

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

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

	September 30 2011	December 31 2010
	(in millions of dollars)	
Internal Rating		
Aa	$18.0	$19.0
A	702.6	744.4
Baa	842.2	732.9
Ba	31.0	20.5
B	13.1	—
Total	$1,606.9	$1,516.8
Loan-to-Value Ratio		
<= 65%	$558.0	$425.3
> 65% <= 75%	806.4	869.2
> 75% <= 85%	169.7	161.9
> 85% <= 100%	72.8	60.4
Total	$1,606.9	$1,516.8

Based on an analysis of the above risk factors, as well as other current information, if we determine that it is probable we will be unable to collect all amounts due under the contractual terms of the mortgage loan, we establish an allowance for credit loss. If we expect to foreclose on the property, the amount of the allowance typically equals the excess carrying value of the mortgage loan over the fair value of the underlying collateral. If we expect to retain the mortgage loan until payoff, the allowance equals the excess carrying value of the mortgage loan over the expected future cash flows of the loan. The projection of future cash flows or a determination that the borrower can make the contractual payments is inherently subjective, and methodologies may vary depending on the circumstances specific to the loan. Additions and reductions to our allowance for credit losses on mortgage loans are reported as a component of net realized investment gains and losses. There have been no changes to our accounting policies or methodology from the prior period regarding estimating the allowance for credit losses on our mortgage loans.

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

	Three and Nine Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2010
	(in millions of dollars)		
Balance at Beginning of Period	$1.5	$0.5	$3.2
Provision	—	0.4	0.9
Charge-offs, Net of Recoveries	—	—	(3.2)
Balance at End of Period	$1.5	$0.9	$0.9

Impaired mortgage loans are as follows:

	September 30, 2011 (in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Related Allowance Recorded	$19.6	$19.6	$—
With an Allowance Recorded	13.1	14.6	1.5
Total	$32.7	$34.2	$1.5

	December 31, 2010 (in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Related Allowance Recorded	$9.8	$9.8	$—
With an Allowance Recorded	13.1	14.6	1.5
Total	$22.9	$24.4	$1.5

During the three and nine months ended September 30, 2011, our average investment in impaired mortgage loans was $26.4 million and $20.9 million, respectively. For the three and nine months ended September 30, 2011, we recognized $0.2 million and $0.6 million of interest income, respectively, on mortgage loans subsequent to impairment.

We had no troubled debt restructurings for the three months ended September 30, 2011. During the nine months ended September 30, 2011, we foreclosed on a previously impaired mortgage loan with a book value of $9.8 million and transferred it into other long-term investments in our consolidated balance sheets. No realized loss was recognized on this troubled debt restructuring.

As of September 30, 2011, we held two mortgage loans that were past due regarding principal and interest payments and for which we had discontinued the accrual of investment income. One loan was greater than 90 days past due and had a carrying value of $10.1 million, and the other loan was greater than 30 days past due and had a carrying value of $9.5 million. As of December 31, 2010, none of our mortgage loans were past due regarding principal and interest payments, and none were on nonaccrual status.

At September 30, 2011, we had non-binding commitments of $17.8 million to fund certain commercial mortgage loans.

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Transfers of Financial Assets

To manage our cash position more efficiently, we 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 transactions. These transactions increase our investment income with minimal risk. Our securities lending policy requires that a minimum of 102 percent of the fair value of the securities loaned be maintained as collateral. Generally, cash is received as collateral under these agreements and is typically reinvested in short-term investments. In the event that securities are received as collateral, we are not permitted to sell or re-post them.

We account for all of our securities lending transactions and repurchase agreements as collateralized financings. As of September 30, 2011, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $344.5 million, for which we received collateral in the form of cash and securities of $342.4 million and $15.4 million, respectively. We had no outstanding repurchase agreements at September 30, 2011.

Realized Investment Gain and Loss

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(in millions of dollars)			
Fixed Maturity Securities				
Gross Gains on Sales	$14.8	$6.0	$33.0	$35.4
Gross Losses on Sales	(5.4)	(4.1)	(22.1)	(25.8)
Other-Than-Temporary Impairment Loss	(1.2)	—	(4.2)	(10.4)
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	1.6	0.3	7.1	6.9
Gross Losses on Sales	—	—	(0.2)	(0.5)
Impairment Loss	(0.4)	(0.4)	(0.4)	(2.1)
Foreign Currency Transactions	0.4	(2.3)	(1.1)	(2.6)
Embedded Derivative in Modified Coinsurance Arrangement	(33.7)	1.6	(24.4)	(3.7)
Net Realized Investment Gain (Loss)	$(23.9)	$1.1	$(12.3)	$(2.8)

Note 5 - Derivative Financial Instruments

Purpose of Derivatives

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, risk related to matching duration for our assets and liabilities, and foreign currency risk. Historically, we have utilized current and forward interest rate swaps and options on forward interest rate swaps, current and forward currency swaps, forward treasury locks, currency forward contracts, and forward contracts on specific fixed income securities. Hedging transactions 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.

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Our cash flow hedging programs 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. The purpose of these swaps is 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.

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

- Options on forward interest rate swaps are used to hedge the interest rate risk on certain insurance liabilities with minimum interest rate guarantees. By purchasing options on interest rate swaps, we are able to lock in the minimum investment yields needed to meet the required interest rate guarantee on the insurance liabilities.

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

- Foreign currency forward contracts are used to minimize foreign currency risks. A foreign currency forward is a derivative without an initial investment where we and the counterparty agree to exchange a specific amount of currencies, at a specific exchange rate, on a specific date. We use these forward contracts to hedge the foreign currency risk associated with certain of the debt repayments of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries and to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for diversification purposes.

Our fair value hedging programs 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.

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

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Note 5 - Derivative Financial Instruments - Continued

position meets or exceeds an agreed upon amount. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position less collateral held, was $23.2 million at September 30, 2011. We held no cash collateral from our counterparties as of September 30, 2011. We held cash collateral of $39.1 million from our counterparties as of December 31, 2010. This unrestricted cash collateral is included in short-term investments, and the associated obligation to return the collateral to our counterparties is included in other liabilities in our consolidated balance sheets. We post either fixed maturity securities or cash as collateral to our counterparties. The carrying value of fixed maturity securities posted as collateral to our counterparties was $131.6 million and $158.8 million at September 30, 2011 and December 31, 2010, respectively. We had no cash posted as collateral to our counterparties at September 30, 2011 and December 31, 2010.

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 $154.7 million and $199.6 million at September 30, 2011 and December 31, 2010, respectively.

Hedging Activity

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

	Swaps Receive Variable/Pay Fixed	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable	Forwards	Total
		(in millions of dollars)			
Balance at June 30, 2011	$174.0	$579.7	$785.0	$—	$1,538.7
Additions	—	—	—	15.0	15.0
Terminations	—	5.0	50.0	—	55.0
Balance at September 30, 2011	$174.0	$574.7	$735.0	$15.0	$1,498.7
Balance at December 31, 2010	$174.0	$617.9	$890.0	$—	$1,681.9
Additions	—	—	—	46.9	46.9
Terminations	—	43.2	155.0	31.9	230.1
Balance at September 30, 2011	$174.0	$574.7	$735.0	$15.0	$1,498.7

The following table summarizes the timing of anticipated settlements of interest rate swaps outstanding under our cash flow hedging programs at September 30, 2011, whereby we receive a fixed rate and pay a variable rate. The weighted average variable interest rates assume current market conditions.

	2011	2012	2013	Total
		(in millions of dollars)		
Notional Value	$50.0	$185.0	$150.0	$385.0
Weighted Average Receive Rate	5.16 %	6.49 %	6.34 %	6.26 %
Weighted Average Pay Rate	0.37 %	0.37 %	0.37 %	0.37 %

Cash Flow Hedges

As of September 30, 2011 and December 31, 2010, we had $385.0 million and $540.0 million, respectively, notional amount of forward starting interest rate swaps to hedge the anticipated purchase of fixed maturity securities.

As of September 30, 2011 and December 31, 2010, we had $574.7 million and $617.9 million, respectively, notional amount of open current and forward foreign currency swaps to hedge fixed income foreign dollar-denominated securities.

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As of September 30, 2011, we had $15.0 million notional amount of open forward treasury locks to hedge the interest rate risk associated with the anticipated proceeds to be received from the call of specific fixed maturity securities. During the nine months ended September 30, 2011, we also entered into and subsequently terminated $31.9 million notional amount of forward treasury locks used to minimize interest rate risk associated with the anticipated disposal of certain fixed maturity securities. These treasury locks were terminated at the time the securities were called and/or sold, and we recognized a gain of $0.1 million on the termination of these hedges. The gain was recognized in other comprehensive income and subsequently amortized into net investment income. We had no open forward treasury locks at December 31, 2010.

During the third quarter of 2010, we terminated $250.0 million notional amount of forward starting interest rate swaps used to hedge the interest rate risk associated with the anticipated issuance of long-term debt. The swaps were terminated at the time the debt was issued. We recognized a loss of $18.5 million on the termination of these hedges. This loss was recognized in other comprehensive income and is being amortized into earnings as a component of interest and debt expense, which has the effect of increasing the periodic interest expense on our debt issued in 2010.

For the nine months ended September 30, 2011 and 2010, there was no material ineffectiveness related to our cash flow hedges, and no component of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness.

As of September 30, 2011, we expect to amortize approximately $33.6 million of net deferred gains on derivative instruments during the next twelve months. This amount will be reclassified from accumulated other comprehensive income into earnings and reported on the same income statement line item as the hedged item. The income statement line items that will be affected by this amortization are net investment income and interest and debt expense. The estimated amortization includes the impact of certain derivative contracts that have not yet been terminated as of September 30, 2011. Fluctuations in fair values of these derivatives between September 30, 2011 and the date of termination will vary our projected amortization. Amounts that will be reclassified from accumulated other comprehensive income into earnings to offset the earnings impact of foreign currency translation of hedged items are not estimable.

As of September 30, 2011, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2038.

Fair Value Hedges

As of September 30, 2011 and December 31, 2010, we had $174.0 million notional amount of receive variable, pay fixed interest rate swaps to hedge the changes in fair value of certain fixed rate securities held. These swaps effectively convert the associated fixed rate securities into floating rate securities, which are used to fund our floating rate long-term debt. Changes in the fair value of the derivative and changes in the fair value of the hedged item attributable to the risk being hedged are recognized in current earnings as a component of net realized investment gain or loss during the period of change in fair value. For the nine months ended September 30, 2011 and 2010, the change in fair value of the hedged fixed maturity securities attributable to the hedged benchmark interest rate resulted in gains of $8.7 million and $15.9 million, respectively, with offsetting losses on the related interest rate swaps.

As of September 30, 2011 and December 31, 2010, we had a $350.0 million notional amount receive fixed, pay variable interest rate swap to hedge the changes in the fair value of certain fixed rate long-term debt. This swap effectively converts the associated fixed rate long-term debt into floating rate debt and provides for a better matching of interest rates with our short-term investments, which have frequent interest rate resets similar to a floating rate security. For the nine months ended September 30, 2011, the change in fair value of the hedged fixed debt attributable to the hedged benchmark interest rate resulted in a loss of $22.0 million, with an offsetting gain on the related interest rate swaps.

For the nine months ended September 30, 2011 and 2010, there was no material ineffectiveness related to our fair value hedges, and no component of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness. There were no instances wherein we discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

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Note 5 - Derivative Financial Instruments - Continued

Derivatives Not Designated as Hedging Instruments

We have an embedded derivative in a modified coinsurance arrangement for which we include in our realized investment gains and losses a calculation intended to estimate the value of the option of our reinsurance counterparty to cancel the reinsurance contract with us. However, neither party can unilaterally terminate the reinsurance agreement except in extreme circumstances resulting from regulatory supervision, delinquency proceedings, or other direct regulatory action. Cash settlements or collateral related to this embedded derivative are not required at any time during the reinsurance contract or at termination of the reinsurance contract. There are no credit-related counterparty triggers, and any accumulated embedded derivative gain or loss reduces to zero over time as the reinsured business winds down.

Locations and Amounts of Derivative Financial Instruments

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

	September 30, 2011 (in millions of dollars)			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Designated as Hedging Instruments				
Interest Rate Swaps and Forwards	Other L-T Investments	$140.8	Other Liabilities	$33.5
Foreign Exchange Contracts	Other L-T Investments	2.4	Other Liabilities	121.2
Total		$143.2		$154.7
Not Designated as Hedging Instruments				
Embedded Derivative in Modified Coinsurance Arrangement			Other Liabilities	$120.7

	December 31, 2010 (in millions of dollars)			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	$98.4	Other Liabilities	