Unum Group
Form 10-Q
October 26, 2017

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, 2017

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

Delaware	62-1598430
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 FOUNTAIN SQUARE	
CHATTANOOGA, TENNESSEE	37402
(Address of principal executive offices)	(Zip Code)

423.294.1011
(Registrant’s telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.
(Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)		
		Smaller reporting company	¨
		Emerging growth company	¨

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

224,389,084 shares of the registrant's common stock were outstanding as of October 24, 2017.

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Cautionary Statement Regarding Forward-Looking Statements

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

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

- Sustained periods of low interest rates.
- Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of our claims operational processes, and changes in government programs.
- Unfavorable economic or business conditions, both domestic and foreign.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- Investment results, including, but not limited to, changes in interest rates, defaults, changes in credit spreads, impairments, and the lack of appropriate investments in the market which can be acquired to match our liabilities.
- A cyber attack or other security breach could result in the unauthorized acquisition of confidential data.
- The failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event.
- Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.
- Execution risk related to our technology needs.
- Changes in our financial strength and credit ratings.
- Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.
- Actual experience that deviates from our assumptions used in pricing, underwriting, and reserving.
- Actual persistency and/or sales growth that is higher or lower than projected.
- Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, consumer confidence, and/or legislative and regulatory changes, including healthcare reform.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
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Ineffectiveness of our derivatives hedging programs due to changes in the economic environment, counterparty risk, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation.

- Changes in accounting standards, practices, or policies.
- Fluctuation in foreign currency exchange rates.
- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.
- Terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2016.

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	September 30 2017	December 31 2016
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: $39,834.9; $39,552.7)	$45,422.6	$44,217.3
Mortgage Loans	2,145.3	2,038.9
Policy Loans	3,567.5	3,463.2
Other Long-term Investments	654.5	631.5
Short-term Investments	1,046.5	780.0
Total Investments	52,836.4	51,130.9
Other Assets		
Cash and Bank Deposits	70.1	100.4
Accounts and Premiums Receivable	1,697.7	1,610.8
Reinsurance Recoverable	4,893.7	4,858.9
Accrued Investment Income	692.5	693.3
Deferred Acquisition Costs	2,155.3	2,094.2
Goodwill	338.2	335.1
Property and Equipment	489.9	500.6
Other Assets	631.9	617.3
Total Assets	$63,805.7	$61,941.5

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	September 30 2017	December 31 2016
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	$1,539.0	$1,507.9
Reserves for Future Policy and Contract Benefits	45,456.9	44,245.9
Unearned Premiums	430.1	363.7
Other Policyholders’ Funds	1,606.9	1,623.8
Income Tax Payable	40.7	20.6
Deferred Income Tax	231.8	130.3
Short-term Debt	199.9	—
Long-term Debt	2,754.1	2,999.4
Payables for Collateral on Investments	398.3	406.0
Other Liabilities	1,699.4	1,675.9
Total Liabilities	54,357.1	52,973.5
Commitments and Contingent Liabilities - Note 11		
Stockholders' Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 304,416,454 and 303,552,934 shares	30.4	30.4
Additional Paid-in Capital	2,295.2	2,272.8
Accumulated Other Comprehensive Income (Loss)	124.3	(51.0)
Retained Earnings	9,327.2	8,744.0
Treasury Stock - at cost: 80,049,859 and 73,729,992 shares	(2,328.5)	(2,028.2)
Total Stockholders' Equity	9,448.6	8,968.0
Total Liabilities and Stockholders' Equity	$63,805.7	$61,941.5

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	(in millions of dollars, except share data)			
Revenue				
Premium Income	$2,153.6	$2,089.4	$6,438.7	$6,258.5
Net Investment Income	609.0	611.4	1,831.9	1,841.1
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	—	—	(30.5)
Net Realized Investment Gain, Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	9.8	11.0	28.9	26.3
Net Realized Investment Gain (Loss)	9.8	11.0	28.9	(4.2)
Other Income	46.7	51.5	148.1	154.6
Total Revenue	2,819.1	2,763.3	8,447.6	8,250.0
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,765.6	1,742.6	5,266.6	5,205.9
Commissions	262.4	256.8	793.9	771.7
Interest and Debt Expense	40.1	45.2	119.8	126.2
Deferral of Acquisition Costs	(154.8)	(147.8)	(470.1)	(447.0)
Amortization of Deferred Acquisition Costs	123.7	118.8	403.5	377.2
Compensation Expense	221.8	210.1	644.7	620.6
Other Expenses	193.5	205.5	630.5	618.9
Total Benefits and Expenses	2,452.3	2,431.2	7,388.9	7,273.5
Income Before Income Tax	366.8	332.1	1,058.7	976.5
Income Tax (Benefit)				
Current	139.4	84.0	301.8	242.7
Deferred	(24.9)	12.1	29.6	50.4
Total Income Tax	114.5	96.1	331.4	293.1
Net Income	$252.3	$236.0	$727.3	$683.4
Net Income Per Common Share				
Basic	$1.12	$1.01	$3.20	$2.89
Assuming Dilution	$1.12	$1.01	$3.19	$2.88

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	
	2017	2016	2017	2016
	(in millions of dollars)			
Net Income	$252.3	$236.0	$727.3	$683.4
Other Comprehensive Income				
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense of $39.2; $113.9; $334.7; $1,008.1)	66.1	277.2	616.3	1,999.2
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax benefit of $31.8; $51.7; $261.7; $707.0)	(66.9)	(135.1)	(499.5)	(1,400.3)
Change in Net Gain on Cash Flow Hedges (net of tax benefit of $7.4; $4.3; $19.7; $22.3)	(13.8)	(8.4)	(36.8)	(42.8)
Change in Foreign Currency Translation Adjustment	31.8	(25.8)	88.7	(131.6)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of $1.5; $1.7; $4.3; $5.3)	2.2	3.0	6.6	10.1
Total Other Comprehensive Income	19.4	110.9	175.3	434.6
Comprehensive Income	$271.7	$346.9	$902.6	$1,118.0

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2017	2016
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	$30.4	$30.3
Additional Paid-in Capital		
Balance at Beginning of Year	2,272.8	2,247.2
Common Stock Activity	22.4	15.8
Balance at End of Period	2,295.2	2,263.0
Accumulated Other Comprehensive Income (Loss)		
Balance at Beginning of Year	(51.0)	16.1
Other Comprehensive Income	175.3	434.6
Balance at End of Period	124.3	450.7
Retained Earnings		
Balance at Beginning of Year	8,744.0	7,995.2
Net Income	727.3	683.4
Dividends to Stockholders (per common share: $0.63; $0.57)	(144.1)	(136.2)
Balance at End of Period	9,327.2	8,542.4
Treasury Stock		
Balance at Beginning of Year	(2,028.2)	(1,624.9)
Purchases of Treasury Stock	(300.3)	(300.3)
Balance at End of Period	(2,328.5)	(1,925.2)
Total Stockholders' Equity at End of Period	$9,448.6	$9,361.2

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2017	2016
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$727.3	$683.4
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(119.0)	(65.7)
Change in Deferred Acquisition Costs	(66.6)	(69.8)
Change in Insurance Reserves and Liabilities	348.1	274.1
Change in Income Taxes	81.4	(0.8)
Change in Other Accrued Liabilities	(6.6)	(37.6)
Non-cash Components of Net Investment Income	(145.7)	(135.0)
Net Realized Investment (Gain) Loss	(28.9)	4.2
Depreciation	78.4	75.9
Other, Net	(2.4)	26.2
Net Cash Provided by Operating Activities	866.0	754.9
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	303.2	726.6
Proceeds from Maturities of Fixed Maturity Securities	1,848.5	1,504.1
Proceeds from Sales and Maturities of Other Investments	172.3	257.7
Purchases of Fixed Maturity Securities	(2,063.4)	(2,452.3)
Purchases of Other Investments	(313.5)	(431.4)
Net Sales (Purchases) of Short-term Investments	(252.6)	38.6
Net Increase (Decrease) in Payables for Collateral on Investments	(7.7)	24.7
Acquisition of Business, Net of Cash Acquired	—	(128.5)
Net Purchases of Property and Equipment	(64.7)	(60.1)
Net Cash Used by Investing Activities	(377.9)	(520.6)
Cash Flows from Financing Activities		
Issuance of Long-term Debt	—	609.1
Long-term Debt Repayments	(48.5)	(399.0)
Issuance of Common Stock	9.5	3.6
Repurchase of Common Stock	(307.2)	(309.1)
Dividends Paid to Stockholders	(144.1)	(136.2)
Other, Net	(28.1)	(27.7)
Net Cash Used by Financing Activities	(518.4)	(259.3)
Net Decrease in Cash and Bank Deposits	(30.3)	(25.0)
Cash and Bank Deposits at Beginning of Year	100.4	112.9

Cash and Bank Deposits at End of Period	$70.1	$87.9

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Unum Group and Subsidiaries
September 30, 2017
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, 2016.

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

Note 2 - Accounting Developments

Accounting Updates Adopted in 2017:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	This update changed the disclosure requirements for certain insurance contracts. These changes included a requirement to disclose the rollforward of the liability for unpaid claims and claim adjustment expenses in both interim and annual reporting periods for long-duration and short-duration insurance contracts. Additional claims disclosures were also required for short-duration contracts. The guidance is to be applied retrospectively.	January 1, 2016 for annual reporting period disclosures and January 1, 2017 for interim reporting period disclosures.	The adoption of this update expanded our interim reporting period disclosures but had no effect on our financial position or results of operations. The annual reporting period disclosure requirements were only applicable to our individual dental products, which we deem immaterial, and therefore did not alter our annual disclosures.
ASC 718 "Compensation - Stock Compensation"	This update changed the accounting and disclosure requirements for certain aspects of share-based payments to employees. The update required all income tax effects of stock-based compensation awards to be recognized in the income statement when the awards vest or are settled. The update also allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. Additionally, the update required reclassification of tax-related cash flows	January 1, 2017	The adoption of this update did not have a material effect on our financial position or results of operations. The impact of the update reduced our effective income tax rate by a de minimis amount during the three and nine months ended September 30, 2017. During periods in which the vesting date fair value differs from the grant date fair value of certain stock-based compensation awards, we may experience volatility in the income tax recognized in our results of

resulting from share-based payments to be classified as operating activities instead of financing activities on the statement of cash flows. Transition guidance for the amendments varies between the retrospective, modified retrospective, and prospective methods depending on the specific requirement of the update.	operations. The amendment related to the reclassification of tax-related cash flows in our consolidated statements of cash flows has been applied prospectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 230 "Statement of Cash Flows"	This update provides clarifying guidance intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update addresses eight specific cash flow issues that relate to various transactions. The guidance is to be applied retrospectively, with early adoption permitted.	January 1, 2018	The adoption of this update will result in reclassifications to certain cash receipts and payments within our consolidated statements of cash flows but will have no effect on our financial position or results of operations.
ASC 606 "Revenue from Contracts with Customers"	These updates supersede virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the scope of these updates are insurance contracts, although our fee-based service products are included within the scope. Our fee-based service products, which are primarily sold in our Unum US segment, are reported in other income within our consolidated statements of income and represent less than one percent of our total revenue. The core principle of this guidance is that revenue recognition should depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption, with early adoption permitted.	January 1, 2018	The adoption of these updates will not have a material effect on our financial position or results of operations.
ASC 740 "Income Taxes"	This update eliminates the exception that requires the tax effect of intra-entity asset transfers other than inventory to be deferred until the transferred asset is sold to a third party or otherwise recovered through use. It requires recognition of tax expense from the sale of the asset in the seller’s tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. The guidance is to be applied retrospectively, with early adoption permitted.	January 1, 2018	The adoption of this update will not have a material 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, 2017
Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 825 "Financial Instruments - Overall"	This update changes the accounting and disclosure requirements for certain financial instruments. These changes include a requirement to measure equity investments, other than those that result in consolidation or are accounted for under the equity method, at fair value through net income unless the investment qualifies for certain practicability exceptions. In addition, the update clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale fixed maturity securities. Changes also include the modification of certain disclosures around the fair value of financial instruments, including the requirement for separate presentation of financial assets and liabilities by measurement category, as well as the elimination of certain disclosures around methods and significant assumptions used to estimate fair value. The guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year the guidance is adopted. Early adoption is generally not permitted, with certain exceptions as defined in the update.	January 1, 2018	We have determined that certain of our limited partnership investments are within the scope of this update. Although we do not expect this update to have a material impact on our financial position or results of operations, we may experience an increase in volatility in net investment income. In addition, we will be required to modify certain of our disclosures upon adoption.
ASC 715 "Compensation - Retirement Benefits"	This update requires the service cost component of net periodic pension and postretirement benefit costs to be included as a component of compensation costs in an entity's statement of income. Other components of net periodic pension and postretirement benefit costs are required to be presented separately from the service cost along with a disclosure identifying the line items in which these costs are presented in the statement of income. The amendments in this update are to be applied retrospectively or prospectively depending on the specific requirement of the update, with early adoption permitted.	January 1, 2018	The adoption of this update will result in reclassifications to certain line items within our consolidated statements of income but will have no effect on our financial position or results of operations.
ASC 842 "Leases"	This update changes the accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of lease payments, and a corresponding asset, adjusted for certain items, is	January 1, 2019	We have not yet determined the expected impact on our financial position or results of operations.

	also recorded. Expense recognition for lessees will remain similar to current accounting requirements for capital and operating leases. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period presented and early adoption is permitted.		
ASC 310 "Receivables - Nonrefundable Fees and Other Costs"	This update shortens the amortization period to the earliest call date for certain callable debt securities held at a premium. This update does not impact securities held at a discount. The guidance is to be applied using a modified retrospective approach, with early adoption permitted.	January 1, 2019	We have not yet determined the expected impact 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, 2017
Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 815 "Derivatives and Hedge Accounting"	This update provides targeted improvements to accounting for hedging activities for both nonfinancial and financial risk components, aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements, eases certain documentation and effectiveness assessment requirements, and enhances transparency through expanded disclosures. For cash flow and net investment hedges existing at the date of adoption, the guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year the guidance is adopted. The amended presentation and disclosure guidance is required prospectively. Early adoption is permitted.	January 1, 2019	We have not yet determined the expected impact on our financial position or results of operations.
ASC 350 "Intangibles - Goodwill and Other"	This update eliminates the requirement to calculate the implied fair value of goodwill (the second step in the current two-step test) to measure a goodwill impairment charge. Instead, entities should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the excess of the carrying amount over the fair value, with the loss not to exceed the total amount of goodwill allocated to that reporting unit. The guidance is to be applied prospectively, with early adoption permitted for goodwill impairment tests performed on testing dates after January 1, 2017.	January 1, 2020	The adoption of this update will not have a material effect on our financial position or results of operations.
ASC 326 "Financial Instruments - Credit Losses"	This update amends the guidance on the impairment of financial instruments. The update adds an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modifies the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognized as an allowance rather than as a reduction in the amortized cost of the security. The reversal of previously recognized credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures will also be required, including information used to develop the allowance for losses. The guidance is to be applied to most instruments in scope using a modified retrospective approach at the beginning of the earliest comparative period presented with	January 1, 2020	We have not yet determined the expected impact on our financial position or results of operations.

early adoption permitted. For available-for-sale fixed maturity securities, the update is applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments

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

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	$45,422.6	$45,422.6	$44,217.3	$44,217.3
Mortgage Loans	2,145.3	2,246.7	2,038.9	2,122.2
Policy Loans	3,567.5	3,674.7	3,463.2	3,564.2
Other Long-term Investments				
Derivatives	20.6	20.6	32.7	32.7
Equity Securities	1.3	1.3	1.2	1.2
Miscellaneous Long-term Investments	577.6	577.6	541.9	541.9
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	$589.9	$589.9	$597.4	$597.4
Supplementary Contracts without Life Contingencies	602.2	602.2	608.8	608.8
Long-term Debt	2,754.1	3,054.5	2,999.4	3,175.8
Payables for Collateral on Investments				
Federal Home Loan Bank (FHLB) Funding Agreements	350.0	350.0	350.0	350.0
Other Liabilities				
Derivatives	52.2	52.2	52.8	52.8
Embedded Derivative in Modified Coinsurance Arrangement	25.2	25.2	46.7	46.7
Unfunded Commitments to Investment Partnerships	4.5	4.5	5.0	5.0

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

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

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

Policy Loans: Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal $3,306.2 million and $3,206.1 million as of September 30, 2017 and December 31, 2016, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Fair values for private equity partnerships are primarily derived from net asset values provided by the general partner in the partnerships' financial statements. Our private equity partnerships represent funds that are primarily invested in bank loans, the financial services industry, general private equity, railcar leasing, and mezzanine debt. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. As of September 30, 2017, we estimate that the underlying assets of the funds will be liquidated over the next one to ten years. These financial instruments are assigned a Level 3 within the fair value hierarchy. Our shares of FHLB common stock are carried at cost, which approximates fair value. These financial instruments are considered restricted investments and are assigned a Level 2 within the fair value hierarchy.

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

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

Long-term Debt: Fair values for long-term debt are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. Debt instruments which are valued by pricing services using active trades for which there was current market activity in that specific debt instrument have fair values of $2,150.9 million and $709.8 million as of September 30, 2017 and December 31, 2016, respectively, and are assigned a Level 1 within the fair value hierarchy. Debt instruments which are valued by pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques have fair values of $903.6 million and $2,466.0 million as of September 30, 2017 and December 31, 2016, respectively, and are assigned a Level 2.

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

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

Fair Value Measurements for Financial Instruments Carried at Fair Value

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2017, we have applied valuation approaches and techniques on a consistent basis to similar assets and liabilities and consistent with those approaches and techniques used at year end 2016.

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

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
United States Government and Government Agencies and Authorities		
Valuation Approaches	Principally the market approach	Not applicable
Valuation Techniques / Inputs	Prices obtained from external pricing services	
States, Municipalities, and Political Subdivisions		
Valuation Approaches	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Relevant reports issued by analysts and rating agencies Audited financial statements	Analysis of similar bonds, adjusted for comparability Non-binding broker quotes Security and issuer level spreads
Foreign Governments		

Valuation Approaches	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Non-binding broker quotes Call provisions	Analysis of similar bonds, adjusted for comparability Non-binding broker quotes Security and issuer level spreads

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

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

Valuation Techniques / Inputs	TRACE pricing	Change in benchmark reference
	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	Discount for size - illiquidity
	Benchmark yields	Non-binding broker quotes
	Transactional data for new issuances and secondary trades	Lack of marketability
	Security cash flows and structures	Security and issuer level spreads
	Recent issuance / supply	Volatility of credit
	Matrix pricing	Matrix pricing
	Security and issuer level spreads	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
All Other Corporate Bonds - Continued		
	Security creditor ratings/maturity/capital structure/optionality	
	Public covenants	
	Comparative bond analysis	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Redeemable Preferred Stocks		
Valuation Approaches	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Non-binding broker quotes	Non-binding broker quotes
	Benchmark yields	
	Comparative bond analysis	
	Call provisions	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Equity Securities		
Valuation Approaches	Principally the market approach	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Financial statement analysis
	Non-binding broker quotes	Non-binding broker quotes

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

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

Fair values for derivatives other than embedded derivatives in modified coinsurance arrangements are based on market quotes or pricing models and represent the net amount of cash we would have paid or received if the contracts had been settled or closed as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

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

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

At September 30, 2017, approximately 21.7 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 78.3 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

- Approximately 64.8 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- Approximately 3.0 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, if validated by observable market data, or on TRACE prices for identical or similar assets absent current market activity. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.

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Approximately 10.5 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

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

	September 30, 2017			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$933.5	$ 567.7	$ —	$1,501.2
States, Municipalities, and Political Subdivisions	—	2,190.0	88.6	2,278.6
Foreign Governments	—	955.9	—	955.9
Public Utilities	580.3	7,419.5	208.1	8,207.9
Mortgage/Asset-Backed Securities	—	2,043.2	—	2,043.2
All Other Corporate Bonds	8,347.4	20,952.9	1,093.3	30,393.6
Redeemable Preferred Stocks	—	19.2	23.0	42.2
Total Fixed Maturity Securities	9,861.2	34,148.4	1,413.0	45,422.6
Other Long-term Investments				
Derivatives				
Foreign Exchange Contracts	—	20.6	—	20.6
Equity Securities	—	—	1.3	1.3
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$ 3.8	$ —	$3.8
Foreign Exchange Contracts	—	48.1	—	48.1
Credit Default Swaps	—	0.3	—	0.3
Embedded Derivative in Modified Coinsurance Arrangement	—	—	25.2	25.2
Total Derivatives	—	52.2	25.2	77.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$454.2	$ 928.2	$ —	$1,382.4
States, Municipalities, and Political Subdivisions	—	2,068.5	89.5	2,158.0
Foreign Governments	—	914.7	—	914.7
Public Utilities	108.5	7,648.9	265.3	8,022.7
Mortgage/Asset-Backed Securities	—	2,230.4	—	2,230.4
All Other Corporate Bonds	3,507.1	24,500.4	1,459.7	29,467.2
Redeemable Preferred Stocks	—	18.7	23.2	41.9
Total Fixed Maturity Securities	4,069.8	38,309.8	1,837.7	44,217.3
Other Long-term Investments				
Derivatives				
Foreign Exchange Contracts	—	32.7	—	32.7
Equity Securities	—	—	1.2	1.2
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$ 7.6	$ —	$7.6
Foreign Exchange Contracts	—	44.8	—	44.8
Credit Default Swaps	—	0.4	—	0.4
Embedded Derivative in Modified Coinsurance Arrangement	—	—	46.7	46.7
Total Derivatives	—	52.8	46.7	99.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
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			
	2017		2016	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$751.9	$ —	$—	$ 418.1
States, Municipalities, and Political Subdivisions	—	—	—	79.0
Public Utilities	236.7	387.5	316.7	487.5
All Other Corporate Bonds	3,022.8	2,944.7	2,618.6	3,461.3
Total Fixed Maturity Securities	$4,011.4	$ 3,332.2	$2,935.3	$ 4,445.9

	Nine Months Ended September 30			
	2017		2016	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$465.8	$ —	$25.0	$ —
Public Utilities	463.6	67.1	469.5	29.3
All Other Corporate Bonds	4,966.7	1,249.9	4,688.2	957.0
Total Fixed Maturity Securities	$5,896.1	$ 1,317.0	$5,182.7	$ 986.3

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2017
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, 2017							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$36.8	$ —	$ (1.1)	$ —	$ —	$52.9	$ —	$88.6
Public Utilities	192.5	—	—	—	—	133.8	(118.2)	208.1
All Other Corporate Bonds	853.2	—	14.3	38.9	(33.2)	390.0	(169.9)	1,093.3
Redeemable Preferred Stocks	23.1	—	(0.1)	—	—	—	—	23.0
Total Fixed Maturity Securities	1,105.6	—	13.1	38.9	(33.2)	576.7	(288.1)	1,413.0
Equity Securities	1.2	—	0.1	—	—	—	—	1.3
Embedded Derivative in Modified Coinsurance Arrangement	(31.9)	6.7	—	—	—	—	—	(25.2)

	Three Months Ended September 30, 2016							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								