

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**Unum Group and Subsidiaries****Note 3 - Investments - Continued****Variable Interest Entities**

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

As of December 31, 2020, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$776.8 million, comprised of \$29.3 million of tax credit partnerships and \$747.5 million of private equity partnerships. At December 31, 2019, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$675.1 million, comprised of \$58.4 million of tax credit partnerships and \$616.7 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

The Company invests in tax credit partnerships primarily for the receipt of income tax credits and tax benefits derived from passive losses on the investments. Amounts recognized in the consolidated statements of income are as follows:

	Year Ended December 31		
	2020	2019	2018
	(in millions of dollars)		
Income Tax Credits	\$ 33.2	\$ 37.8	\$ 41.4
Amortization, Net of Tax	(21.9)	(25.2)	(28.1)
Income Tax Benefit	\$ 11.3	\$ 12.6	\$ 13.3

Contractually, we are a limited partner in these tax credit partnerships, and our maximum exposure to loss is limited to the carrying value of our investment, which includes \$0.9 million of unfunded unconditional commitments at December 31, 2020. See Note 2 for commitments to fund private equity partnerships.

Mortgage Loans

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

We adopted new accounting guidance that requires us to estimate an allowance for expected credit losses effective January 1, 2020. We carry our mortgage loans at amortized cost less the allowance for expected credit losses. The amortized cost of our mortgage loans was \$2,445.2 million and \$2,397.0 million at December 31, 2020 and December 31, 2019, respectively. The allowance for expected credit losses was \$13.1 million at December 31, 2020. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. We report accrued interest income for our mortgage loans as accrued investment income on our consolidated balance sheets, and the amount of the accrued income was \$8.0 million and \$8.3 million at December 31, 2020 and December 31, 2019, respectively.