



CNO FINANCIAL GROUP

# First Quarter 2019

Financial and operating results for the period ended March 31, 2019

April 30, 2019

Unless otherwise specified, comparisons in this presentation are between 1Q18 and 1Q19.

# Forward-Looking Statements

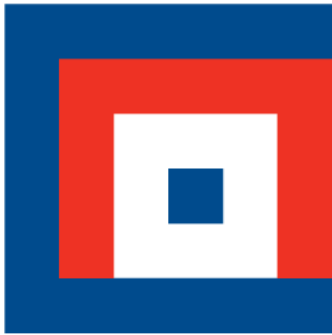
Certain statements made in this presentation should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about future results of operations and capital plans. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those included in our press releases issued on April 29, 2019, our Quarterly Reports on Form 10-Q, our Annual Report on Form 10-K and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this presentation, which speaks as of today's date.

# Non-GAAP Measures

This presentation contains the following financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP): operating earnings measures; book value, excluding accumulated other comprehensive income (loss) per share; operating return measures; earnings before net realized investment gains (losses) from sales and impairments, net change in market value of investments recognized in earnings, fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss related to reinsurance transaction, other non-operating items, corporate interest expense and taxes; and debt to capital ratios, excluding accumulated other comprehensive income (loss). Reconciliations between those non-GAAP measures and the comparable GAAP measures are included in the Appendix, or on the page such measure is presented.

While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered substitutes for the most directly comparable GAAP measures.

Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the “Investors – SEC Filings” section of CNO’s website, [www.CNOinc.com](http://www.CNOinc.com).



**CNO FINANCIAL GROUP**

# Web Benefits Design (“WBD”)Transaction

## Strategic acquisition to accelerate worksite growth

- Transaction Summary
  - Adds leading online benefits administration with best-in-class proprietary technology platform for employer benefits programs
  - Invests in key growth area within CNO
  - \$66 million purchase price paid with HoldCo cash; represents less than one quarter of FCF
  - Nominally accretive to earnings by 2020 before inclusion of revenue synergies
  - Allows use of non-life NOLs
  - Consistent with acquisition playbook; allows for concurrent share repurchase activity
- Strategic Rationale
  - Accelerates worksite technology capabilities
  - High margin business; significant source of fee income; benefits ROE
  - Enhances Washington National’s technology capabilities with proven tested platform in area outside core IT capabilities
  - Expands Washington National’s market reach; opens door to tech-savvy clients
  - Creates significant cross-sell opportunities
  - Limited execution risk as WBD’s management team remains intact



## Strong Operational Performance

- Operating EPS, excluding significant items,<sup>1</sup> (adjusted for LTC transaction) up 8%
- Growth initiatives progressing; all growth scorecard metrics up
- All health benefit ratios within or better than provided guidance
- First year collected premiums up 18%
- Annuity collected premiums up 25%
- Life and health sales up 2%
- Worksite sales up 24%

## Building on Track Record of Execution

- Returned \$63 million to shareholders including \$47 million in share repurchases
- Accelerated up in quality investment strategy; BBB allocation reduced to 39%, lower equity and CLO exposure
- Strategic bolt-on acquisition in 2<sup>nd</sup> quarter
- Launched Living Insurance™ product
- BV per diluted share (ex. AOCI)<sup>1</sup> of \$19.76; Operating ROE<sup>1</sup>, excluding significant items, of 10.5%

# Growth Scorecard (\$ millions)

All Growth Scorecard metrics positive compared to same quarter of 2018

Drive Growth

	2018					2019	% Change Q/Q
	1Q	2Q	3Q	4Q	TY	1Q	
<b>New Annualized Premium<sup>1</sup></b>							
Life Insurance	\$36.9	\$36.9	\$37.4	\$36.3	\$147.5	\$39.7	7.6%
Health Insurance	41.2	44.9	44.3	53.3	183.7	40.1	-2.7%
Total Life & Health Insurance	\$78.1	\$81.8	\$81.7	\$89.6	\$331.2	\$79.8	2.2%
<b>Collected Premiums</b>							
Bankers Life	\$627.0	\$653.4	\$635.7	\$732.1	\$2,648.2	\$683.9	9.1%
Washington National	176.2	172.8	167.5	176.3	692.8	176.8	0.3%
Colonial Penn	75.3	73.8	74.0	75.2	298.3	77.2	2.5%
Sub-total	878.5	900.0	877.2	983.6	3,639.3	937.9	6.8%
LTC in run-off	49.6	47.6	44.9	3.7	145.8	3.6	-92.7%
Total CNO	\$928.1	\$947.6	\$922.1	\$987.3	\$3,785.1	\$941.5	1.4%
<b>Annuity Collected Premiums</b>							
Bankers Life	\$251.4	\$287.0	\$270.5	\$354.3	\$1,163.2	\$315.3	25.4%
<b>Client Assets in Brokerage and Advisory<sup>2</sup></b>							
Bankers Life	\$1,025.8	\$1,081.7	\$1,178.2	\$1,104.9	\$1,104.9	\$1,234.4	20.3%
<b>Fee Revenue</b>							
Bankers Life	\$19.0	\$10.0	\$10.2	\$10.4	\$49.6	\$25.2	32.6%

<sup>1</sup> Measured as 100% of new term life and health annualized premiums and 10% of single premium whole life deposits.

<sup>2</sup> Client assets include cash and securities in brokerage and managed advisory accounts.

## Key Initiatives

## First Quarter Highlights

### Reinvigorate Growth

- First year collected premium up 20%
- Total collected premium up 9%
- Health NAP up 1%; Life NAP down 15%
- Med Advantage issued policies up 96%; third party fee revenue up 36%

### Expand to the Right

- \$1.2 billion of total client assets at BD/RIA
- Financial Advisor count up 21%; 14% of agent force dually licensed
- Annuity sales up 25%
- Average annuity face value up 5%

### Reshape the agent force and optimize productivity

- Quarterly average producing agent count up 3%
- Positive impact from agent force initiatives
- Agent productivity continued encouraging trend



# Segment Update



## Key Initiatives

## First Quarter Highlights

Maintain growth momentum

- Life sales up 78% and life collected premium up 16%
- Quarterly average producing agents up 2%
- Restructuring plan underway in Individual business

Expand geographically

- Entered six underpenetrated territories
- \$1.2 million in sales from geographic expansion

Enhance product portfolio

- Life products now 13% of overall sales
- Short-term care pilot expanding
- Continued sales growth of Hospital Indemnity product

Advance worksite capabilities

- Worksite sales up 24%
- Worksite comprised roughly 50% of Washington National sales

# Segment Update



## Key Initiatives

## First Quarter Highlights

Continue sales growth

- NAP up 20%
- Total collected premium up 3%
- First year collected premium up 8%

Improve sales productivity and expand web/digital capabilities

- Delivered cost effective marketing spend
- Technology enhancements driving productivity gains
- Strong results from investments in lead generation expansion

Enhance product portfolio

- Living Insurance™ product combination launched

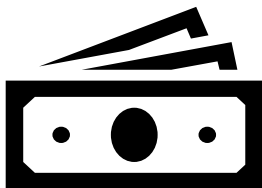
# Excess Capital Allocation Strategy

## Disciplined and opportunistic

100% deployment to highest and best use over time



Organic investments to sustain and grow the core businesses



Opportunistic Deployment

- Highly selective M&A to expand product offerings or enhance distribution
- Share repurchases



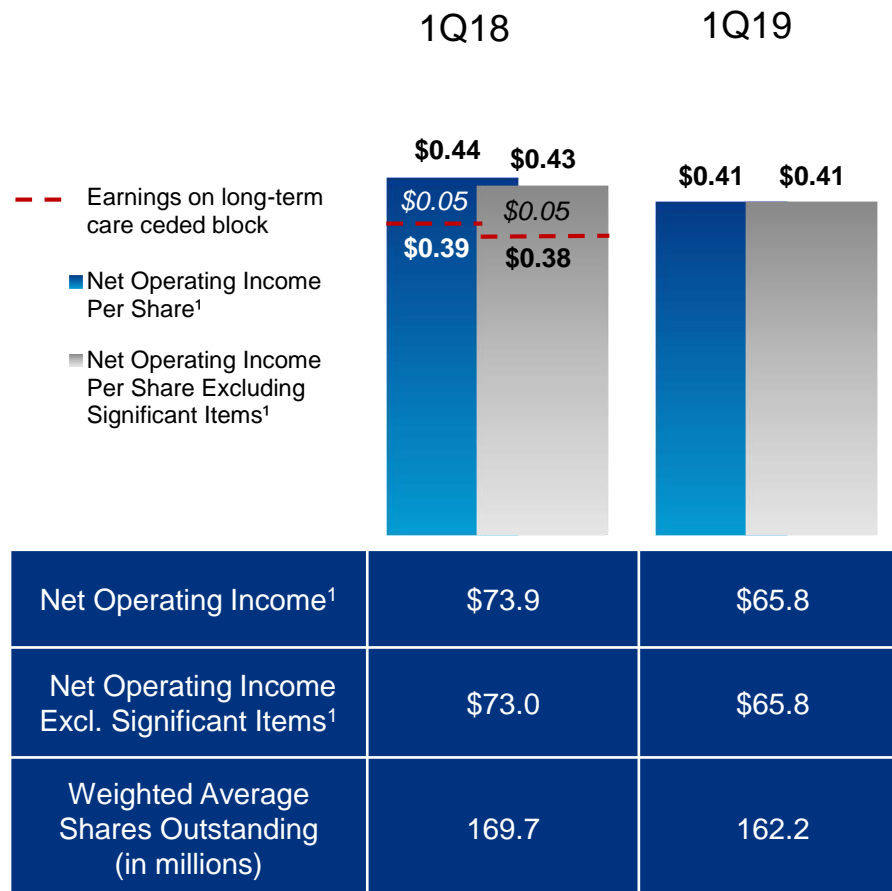
Dividend payout ratio targeted at 20-25%

# Financial Highlights (\$ millions, except where noted)

## First Quarter 2019

- Net income per diluted share of \$0.32
- Net operating income per diluted share<sup>1</sup> of \$0.41
  - Adjusted to remove the earnings from the LTC business that was ceded in 3Q18, 1Q18 net operating income per share, excluding significant items<sup>1</sup>, was \$0.38
- Non-operating loss per diluted share of \$0.09
- Operating ROE<sup>1</sup> excluding significant items of 10.5%
- Holding company cash and investments of \$230 million
  - Opportunistically repurchased \$47 million of common stock
- Estimated consolidated RBC ratio of 416%

## Financial Results



# Segment Results<sup>1</sup> (\$ millions)

## Segment Adjusted EBIT Excluding Significant Items<sup>2</sup>

	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Bankers Life</b>	\$76.7	\$90.7	\$94.4	\$81.1	\$63.1
<b>Washington National</b>	\$34.3	\$25.4	\$30.3	\$29.7	\$30.5
<b>Colonial Penn</b>	(\$0.4)	\$5.4	\$6.1	\$4.8	(\$1.4)
<b>Segments Sub-total</b>	\$110.6	\$121.5	\$130.8	\$115.6	\$92.2
<b>LTC in run-off</b>	\$10.5	\$8.5	\$2.1	\$0.3	\$2.5
<b>Corporate</b>	(\$15.5)	(\$14.0)	(\$11.8)	(\$15.3)	\$0.8
<b>Total CNO</b>	<b>\$105.6</b>	<b>\$116.0</b>	<b>\$121.1</b>	<b>\$100.6</b>	<b>\$95.5</b>

## Segment Highlights

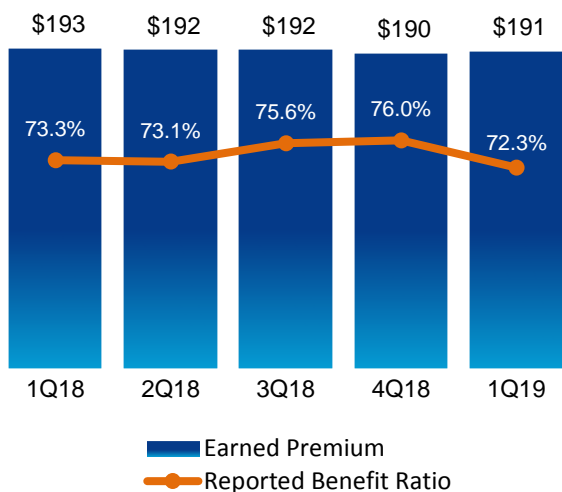
- Bankers Life results reflect lower investment earnings from alternatives and higher spend on growth initiatives
- Washington National benefited from stronger underwriting performance offset by lower investment income from alternatives
- Colonial Penn in-force EBIT up 16%, offset by increased cost-effective marketing spend
  - Expect \$12-\$20 million of EBIT for full-year 2019
- LTC in run-off nearing breakeven; prior period included earnings from ceded LTC business
- Corporate benefited from reversal in 4Q18 market impact on COLI results

<sup>1</sup> Results reflect changes we made to our segment reporting in 3Q18. All prior period segment disclosures have been revised to move the long-term care block ceded in 3Q18 from Bankers Life segment to Long-term care in run-off segment.

<sup>2</sup> A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

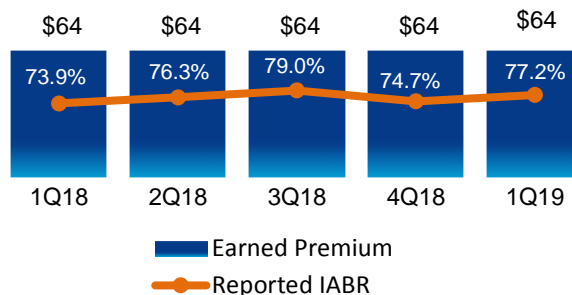
# Health Margins (\$ millions)

## Bankers Life Medicare Supplement Benefit Ratio



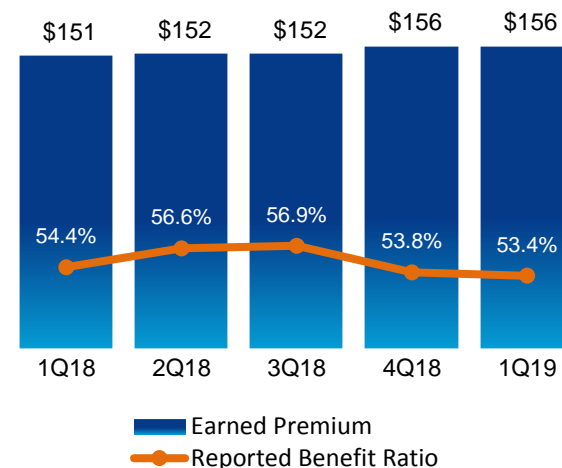
- Benefit ratio of 72.3%, reflecting seasonal lapse rate
- 1% (+/-) = \$1.9 million pre-tax
- Maintaining benefit ratio guidance of 73-77% for 2019**

## Bankers Life Long-term Care IABR<sup>1,2</sup>



- IABR<sup>1,2</sup> of 77.2%, reflecting slightly higher incurred claims
- 1% (+/-) = \$0.6 million pre-tax
- Maintaining IABR<sup>1,2</sup> guidance of 74-79% for 2019**

## Washington National Supplemental Health IABR<sup>1</sup>

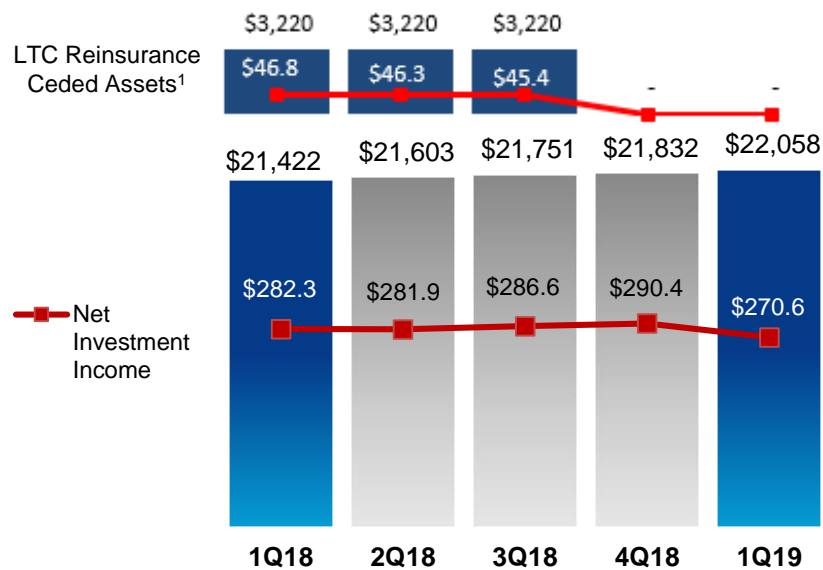


- IABR<sup>1</sup> of 53.4%, reflecting continued premium growth and favorable claims experience
- 1% (+/-) = \$1.6 million pre-tax
- Maintaining IABR<sup>1</sup> guidance of 55-58% for 2019**

1 Interest-adjusted benefit ratio (IABR); a non-GAAP measure. Refer to the Appendix for the corresponding GAAP measure.  
2 Retained LTC business only

# Investment Results (\$ millions)

## Average Invested Assets and Cash



New Money Rate	5.36%	4.80%	4.82%	5.08%	4.45%
Earned Yield <sup>2</sup> :	5.44%	5.40%	5.44%	5.40%	5.02%
Pre-Pay/Call/Make-whole Income	\$4.4	\$3.8	\$5.4	\$10.9	\$2.5
Alternative Investment Income	\$19.9	\$12.4	\$16.8	\$13.0	\$5.5
Impairments	-	-	\$2.1	\$0.5	\$2.2

## Quarter Highlights

- Decline in invested assets reflects impact of 3Q18 LTC reinsurance transaction
- Income impacted by reduction in asset base, Y/Y decline in income from alternatives (reported with one quarter lag), and lower prepayment income
- New money rates reflect lower market rates and generally tighter spreads reflected in new money rate progression
- Significant up in quality strategy reduced BBB, equity, and CLO equity allocations
  - Reduced BBB exposure from 45% to 39% of fixed maturity holdings
  - Drove 9 point increase in 1Q RBC
- Expect ~20-25 bps improvement in earned yield in 2Q

<sup>1</sup> Assets ceded in conjunction with reinsurance transaction completed in 3Q18.

<sup>2</sup> Earned Yield excludes assets held in our FHLB matchbook program.

# Committed to Long-term Shareholder Value Creation

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**Continued progress on strategic initiatives**

**Effectively deploy excess capital**

**Extend depth and breadth of product offerings**

**Leverage diverse distribution channels and unique product combination**

**Expand to the right**

**Enhance customer experience**

**Growth in sales, earnings, FCF, and ROE**



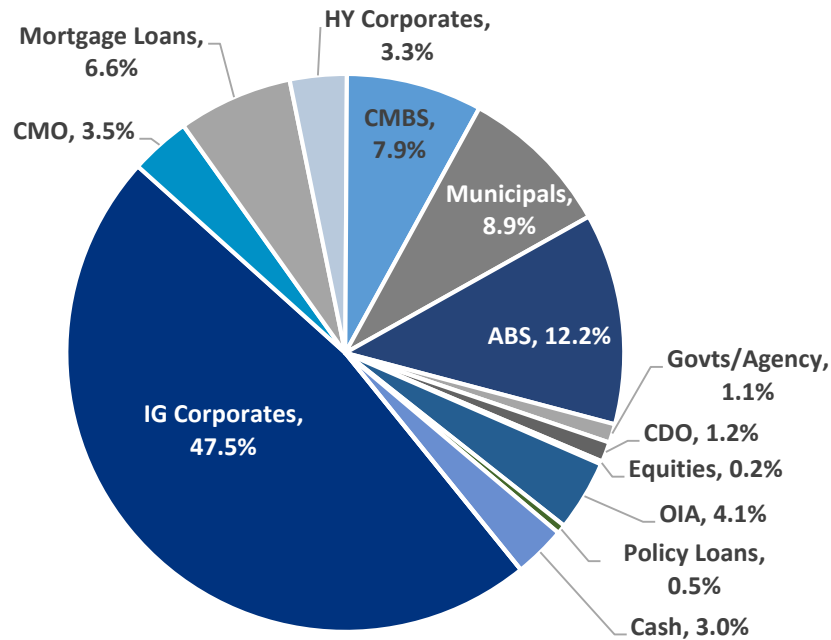
# Questions and Answers

# Appendix

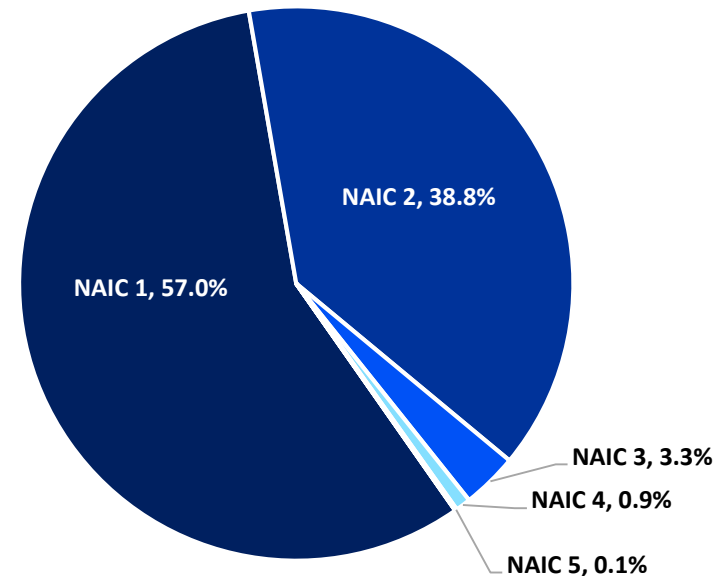
# Portfolio Composition

(Fair Value as of 3/31/2019)

## \$23 billion of Invested Assets



## Fixed Maturity Securities by Ratings



## General Approach

- Positioned for stable performance across credit cycle
- Emphasizing move up in quality
- Keen focus on performance management and positive selection
- Low impairments through multiple cycles
- Lower than average allocation to most higher risk categories – all carefully calibrated
- Recession stress test scenarios continually updated and results manageable

# Broker-Dealer and Registered Investment Advisor Disclosures

(\$ millions)

		2018				2019
		1Q	2Q	3Q	4Q	1Q
<b>Net New Client Assets in Brokerage and Advisory<sup>1</sup></b>	Brokerage	\$12.2	\$3.1	\$26.3	-\$1.1	-\$3.0
	Advisory	50.5	49.1	44.2	13.2	35.7
	Total	\$62.7	\$52.2	\$70.5	\$12.1	\$32.7
<b>Client Assets in Brokerage and Advisory<sup>1</sup> at end of period</b>	Brokerage	\$806.7	\$813.6	\$860.4	\$794.1	\$861.6
	Advisory	219.1	268.1	317.8	310.8	372.8
	Total	\$1,025.8	\$1,081.7	\$1,178.2	\$1,104.9	\$1,234.4

<sup>1</sup> Client assets include cash and securities in brokerage and managed advisory accounts. Net new client assets includes total inflows of cash and securities into brokerage and managed advisory accounts less outflows. Inflows include interest and dividends and exclude changes due to market fluctuations.

*Bankers Life is the marketing brand of various affiliated companies of CNO Financial Group including, Bankers Life and Casualty Company, Bankers Life Securities, Inc., and Bankers Life Advisory Services, Inc. Non-affiliated insurance products are offered through Bankers Life General Agency, Inc. (dba BL General Insurance Agency, Inc., AK, AL, CA, NV, PA). Agents who are financial advisors are registered with Bankers Life Securities, Inc.*

*Securities and variable annuity products and services are offered by Bankers Life Securities, Inc. Member FINRA/SIPC, (dba BL Securities, Inc., AL, GA, IA, IL, MI, NV, PA). Advisory products and services are offered by Bankers Life Advisory Services, Inc. SEC Registered Investment Adviser (dba BL Advisory Services, Inc., AL, GA, IA, MT, NV, PA). Home Office: 111 East Wacker Drive, Suite 1900, Chicago, IL 60601*

# Agent Counts

Producing agent count returns to growth; 1 out of every 7 Bankers Life agents is a financial advisor

	2018				2019	% Change
	1Q	2Q	3Q	4Q	1Q	Q/Q
<b>Bankers Life</b>						
Total Quarterly Average Producing Agents	3,999	4,167	4,168	4,177	4,125	3.2%
Quarterly Average Financial Advisors	483	499	534	560	583	20.7%
<b>Washington National</b>						
Total Quarterly Average Producing Agents	668	676	710	729	682	2.1%

Producing Agents are agents that have submitted at least one policy in the month  
 Financial advisors are agents who are licensed to sell certain securities brokerage products and services  
 Quarterly average agent and advisor counts represent the average of the last 3 months.

# Bankers Life Retained Long-term Care Insurance

## Key Takeaways

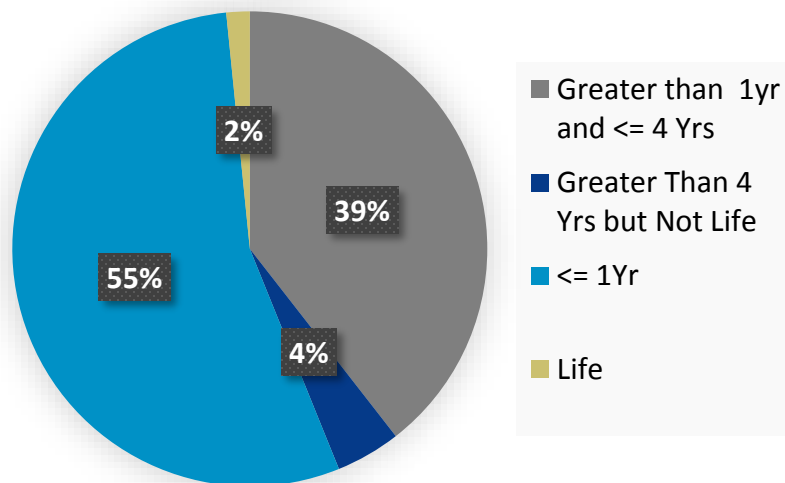
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- **Differentiated block of in-force business**
  - 55% of policies with benefit periods one year or less
  - 94% of policies with benefit periods less than 4 years
  - 2% of policies with lifetime benefits
- **New sales (~\$25mm annually) focused on short duration products**
  - 98% of new sales for policies with 2 years or less in benefits
  - Average benefit period of 10 months
  - New business 25% reinsured since 2008
- **Reserve assumptions informed by historical experience**
  - No morbidity improvement
  - No mortality improvement
  - Minimal future rate increases
  - Ultimate new money rate recently lowered to 6.00% from 6.50%
- **Favorable economic profile**
  - 2018 Loss Recognition Testing margin of \$235 million or ~13% of Net GAAP Liabilities
  - Statutory reserves ~\$45 million higher than GAAP reserves
  - Total LTC is just 13% of overall CNO reserves
  - Potential adverse impact from severe stress scenarios is significantly reduced

# Bankers Life Retained Long-term Care Insurance

(As of 3/31/2019)

## % of Policies by Benefit Period



## Key LTC Data

GAAP Reserves	\$1.84B
Statutory Reserves	\$1.89B
Policies In-Force	185,468
Average Attained Age	67 years
Avg. Daily Benefit	\$174
% Policies w/Inflation Rider	27.2%
Average Benefit Period <sup>1</sup>	1.6 years

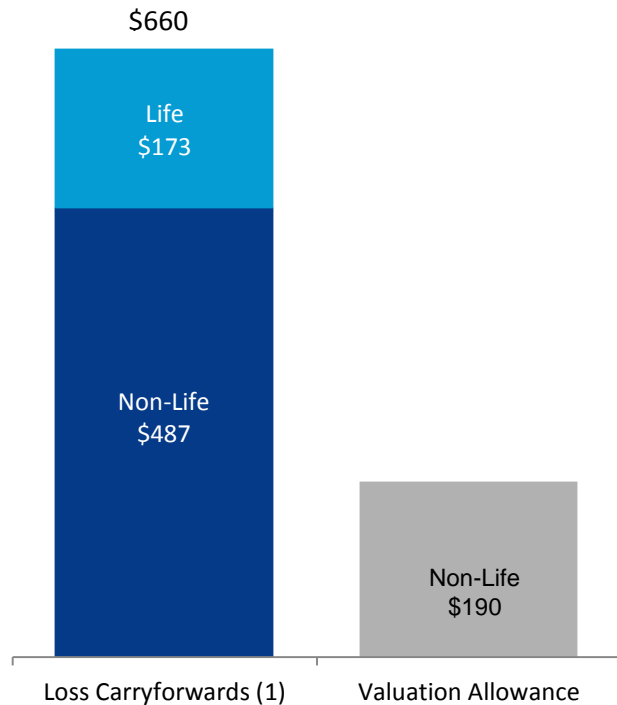
## 2019 Holding Company Liquidity (\$ millions)

	<u>1Q19</u>
<b>Cash and Investments Balance - Beginning</b>	<b>\$220.4</b>
<b>Sources</b>	
Dividends from Insurance Subsidiaries	41.0
Dividends from Non-insurance Subsidiaries	8.0
Management Fees	29.2
Surplus Debenture Interest	12.6
Earnings on Corporate Investments	4.9
Tax Refund	5.8
<b>Total Sources</b>	<b><u>101.5</u></b>
<b>Uses</b>	
Contributions to Non-Insurance Subsidiaries	1.0
Share Repurchases	41.0
Interest Expense	1.0
Common Stock Dividends	16.4
Net Intercompany Settlements and Other	17.7
General Expenses & Other	15.2
<b>Total Uses</b>	<b><u>92.3</u></b>
<b>Mark-to-market Changes in Investment Balances</b>	<b>0.2</b>
<b>Cash and Investments Balance - March 31, 2019</b>	<b>\$229.8</b>



# Tax Asset Summary (\$ millions)

## Loss Carryforwards



## Details

- Total estimated economic value of NOLs of \$339 million @ 10% discount rate (~\$2.10 on per share basis)
- Life NOLs are expected to offset 80% of life taxable income until fully utilized. Non-life NOLs are expected to offset 100% of non-life taxable income and 35% of the remaining life taxable income not offset by life NOLs through 2023.

# 1Q18 Significant Items

The table below summarizes the financial impact of significant items on our 1Q18 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended March 31, 2018		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 77.5	\$ (0.8) (1)	\$ 76.7
Washington National	34.3	-	34.3
Colonial Penn	(1.5)	1.1 (2)	(0.4)
Long-term care in run-off	12.0	(1.5) (3)	10.5
Adjusted EBIT from business segments	122.3	(1.2)	121.1
Corporate Operations, excluding corporate interest expense	(15.5)	-	(15.5)
Adjusted EBIT	106.8	(1.2)	105.6
Corporate interest expense	(11.9)	-	(11.9)
Operating earnings before tax	94.9	(1.2)	93.7
Tax expense on operating income	21.0	(0.3)	20.7
Net operating income *	<u>\$ 73.9</u>	<u>\$ (0.9)</u>	<u>\$ 73.0</u>
Net operating income per diluted share*	<u>\$ 0.44</u>	<u>\$ (0.01)</u>	<u>\$ 0.43</u>

(1) Pre-tax earnings in the Bankers Life segment included the \$0.8 million release of long-term care reserves (net of the reduction in insurance intangibles) due to the impact of policyholder actions following rate increases.

(2) Pre-tax earnings in the Colonial Penn segment included a \$1.1 million out-of-period adjustment which increased reserves on closed block payout annuities.

(3) Pre-tax earnings in the Long-term care in run-off segment included the \$1.5 million release of long-term care reserves (net of the reduction in insurance intangibles) due to the impact of policyholder actions following rate increases.

\* A non-GAAP measure. See pages 28 and 30 for a reconciliation to the corresponding GAAP measure.

# 4Q18 Significant Items

The table below summarizes the financial impact of significant items on our 4Q18 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended December 31, 2018		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 78.0	\$ 3.1 (1)	\$ 81.1
Washington National	31.9	(2.2) (1)	29.7
Colonial Penn	4.8	-	4.8
Long-term care in run-off	0.3	-	0.3
Adjusted EBIT from business segments	115.0	0.9	115.9
Corporate Operations, excluding corporate interest expense	(29.7)	14.4 (2)	(15.3)
Adjusted EBIT	85.3	15.3	100.6
Corporate interest expense	(12.1)	-	(12.1)
Operating earnings before tax	73.2	15.3	88.5
Tax expense on operating income	13.4	0.2	13.6
Net operating income *	<u>\$ 59.8</u>	<u>\$ 15.1</u>	<u>\$ 74.9</u>
Net operating income per diluted share*	<u>\$ 0.36</u>	<u>\$ 0.09</u>	<u>\$ 0.45</u>

(1) Adjustments arising from our comprehensive annual actuarial review of assumptions including \$3.1 million of unfavorable impacts in the Bankers Life segment and \$2.2 million of favorable impacts in the Washington National segment.

(2) \$14.4 million unfavorable impact of current market conditions on the value of investments backing our Company-owned life insurance (COLI) used as a vehicle to fund Bankers Life's agent deferred compensation plan. Changes in the value of COLI investments are not subject to income taxes.

\* A non-GAAP measure. See pages 28 and 30 for a reconciliation to the corresponding GAAP measure.

# Quarterly Earnings

(\$ millions)

	1Q18	2Q18	3Q18	4Q18	1Q19
Bankers Life	\$ 77.5	\$ 90.7	\$ 94.4	\$ 78.0	\$ 63.1
Washington National	34.3	25.4	30.3	31.9	30.5
Colonial Penn	(1.5)	5.4	6.1	4.8	(1.4)
Long-term care in run-off	12.0	8.5	2.1	0.3	2.5
Adjusted EBIT from business segments	122.3	130.0	132.9	115.0	94.7
Corporate operations, excluding interest expense	(15.5)	(14.0)	(11.8)	(29.7)	0.8
Adjusted EBIT*	106.8	116.0	121.1	85.3	95.5
Corporate interest expense	(11.9)	(11.9)	(12.1)	(12.1)	(12.1)
Operating earnings before taxes	94.9	104.1	109.0	73.2	83.4
Tax expense on period income	21.0	22.2	21.5	13.4	17.6
Net operating income	73.9	81.9	87.5	59.8	65.8
Net realized investment gains (losses) from sales and impairments, net of related amortization	0.5	10.9	37.0	(10.5)	(0.7)
Net change in market value of investments recognized in earnings	(15.7)	(0.3)	(5.3)	(27.5)	16.6
Fair value changes in embedded derivative liabilities, net of related amortization	25.1	8.3	22.9	(0.8)	(29.6)
Fair value changes related to the agent deferred compensation plan	-	11.0	-	0.9	(5.3)
Loss related to reinsurance transaction	-	-	(704.2)	-	-
Other	3.3	(4.2)	0.8	1.8	1.2
Non-operating income (loss) before taxes	13.2	25.7	(648.8)	(36.1)	(17.8)
Income tax expense (benefit):					
On non-operating income (loss)	2.8	5.4	(136.3)	(7.6)	(3.8)
Valuation allowance for deferred tax assets and other tax items	-	-	104.8	3.0	-
Net non-operating income (loss)	10.4	20.3	(617.3)	(31.5)	(14.0)
Net income (loss)	<u>\$ 84.3</u>	<u>\$ 102.2</u>	<u>\$ (529.8)</u>	<u>\$ 28.3</u>	<u>\$ 51.8</u>

\*Management believes that an analysis of earnings before net realized investment gains (losses) from sales and impairments, net change in market value of investments recognized in earnings, fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss related to reinsurance transaction, other non-operating items, corporate interest expense and taxes ("Adjusted EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (1) net realized investment gains (losses) from sales and impairments; (2) net change in market value of investments recognized in earnings; (3) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities that are unrelated to the company's underlying fundamentals; (4) fair value changes related to the agent deferred compensation plan; (5) loss related to reinsurance transaction; (6) charges in the valuation allowance for deferred tax assets and other tax items; and (7) other non-operating items consisting primarily of earnings attributable to variable interest entities. The table above provides a reconciliation of Adjusted EBIT to net income.

## Information Related to Certain Non-GAAP Financial Measures

The following provides additional information regarding certain non-GAAP measures used in this presentation. A non-GAAP measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered as substitutes for the most directly comparable GAAP measures. Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors – SEC Filings" section of CNO's website, [www.CNOinc.com](http://www.CNOinc.com).

### Operating earnings measures

Management believes that an analysis of net income applicable to common stock before net realized investment gains or losses from sales and impairments, net change in market value of investments recognized in earnings, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, fair value changes related to the agent deferred compensation plan, loss related to reinsurance transaction, changes in the valuation allowance for deferred tax assets and other tax items and other non-operating items consisting primarily of earnings attributable to variable interest entities ("net operating income," a non-GAAP financial measure) is important to evaluate the financial performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the Company's underlying fundamentals.

# Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income(loss) applicable to common stock to net operating income (and related per-share amounts) is as follows (dollars in millions, except per-share amounts):

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
<b>Net income(loss) applicable to common stock</b>	<b>\$ 84.3</b>	<b>\$ 102.2</b>	<b>\$ (529.8)</b>	<b>\$ 28.3</b>	<b>\$ 51.8</b>
Non-operating items:					
Net realized investment (gains) losses from sales and impairments, net of related amortization	(0.5)	(10.9)	(37.0)	10.5	0.7
Net change in market value of investments recognized in earnings	15.7	0.3	5.3	27.5	(16.6)
Fair value changes in embedded derivative liabilities, net of related amortization	(25.1)	(8.3)	(22.9)	0.8	29.6
Fair value changes related to the agent deferred compensation plan	-	(11.0)	-	(0.9)	5.3
Loss related to reinsurance transaction	-	-	704.2	-	-
Other	(3.3)	4.2	(0.8)	(1.8)	(1.2)
Non-operating (income) loss before taxes	(13.2)	(25.7)	648.8	36.1	17.8
Income tax (expense) benefit:					
On non-operating (income) loss	(2.8)	(5.4)	136.3	7.6	3.8
Valuation allowance for deferred tax assets and other tax items	-	-	(104.8)	(3.0)	-
Net non-operating (income) loss	(10.4)	(20.3)	617.3	31.5	14.0
<b>Net operating income (a non-GAAP financial measure)</b>	<b>\$ 73.9</b>	<b>\$ 81.9</b>	<b>\$ 87.5</b>	<b>\$ 59.8</b>	<b>\$ 65.8</b>
Per diluted share:					
<b>Net income(loss)</b>	<b>\$ 0.50</b>	<b>\$ 0.61</b>	<b>\$ (3.22)</b>	<b>\$ 0.17</b>	<b>\$ 0.32</b>
Net realized investment (gains) losses from sales and impairments (net of related amortization and taxes)	-	(0.05)	(0.18)	0.05	-
Net change in market value of investments recognized in earnings (net of taxes)	0.07	-	0.03	0.13	(0.08)
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	(0.12)	(0.04)	(0.11)	-	0.15
Fair value changes related to the agent deferred compensation plan (net of taxes)	-	(0.05)	-	-	0.03
Loss related to reinsurance transaction (net of taxes)	-	-	4.01	-	-
Valuation allowance for deferred tax assets and other tax items	-	-	-	0.02	-
Other	(0.01)	0.02	-	(0.01)	(0.01)
<b>Net operating income (a non-GAAP financial measure)</b>	<b>\$ 0.44</b>	<b>\$ 0.49</b>	<b>\$ 0.53</b>	<b>\$ 0.36</b>	<b>\$ 0.41</b>

## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of operating income and shares used to calculate basic and diluted operating earnings per share is as follows (dollars in millions, except per-share amounts, and shares in thousands):

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18 (a)</u>	<u>4Q18</u>	<u>1Q19</u>
Operating income	\$ <u>73.9</u>	\$ <u>81.9</u>	\$ <u>87.5</u>	\$ <u>59.8</u>	\$ <u>65.8</u>
Weighted average shares outstanding for basic earnings per share	167,060	166,098	164,551	164,118	160,948
Effect of dilutive securities on weighted average shares:					
Stock options, restricted stock and performance units	<u>2,617</u>	<u>1,880</u>	<u>-</u>	<u>1,772</u>	<u>1,241</u>
Weighted average shares outstanding for diluted earnings per share	<u>169,677</u>	<u>167,978</u>	<u>164,551</u>	<u>165,890</u>	<u>162,189</u>
Net operating income per diluted share	\$ <u>0.44</u>	\$ <u>0.49</u>	\$ <u>0.53</u>	\$ <u>0.36</u>	\$ <u>0.41</u>

(a) Equivalent common shares of 2,146 were not included in the diluted weighted average shares outstanding due to the net loss recognized in 3Q18.

## Information Related to Certain Non-GAAP Financial Measures

### Book value per diluted share

Book value per diluted share reflects the potential dilution that could occur if outstanding stock options were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, restricted shares and performance units is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options (or the unrecognized compensation expense with respect to restricted stock and performance units) will be used to purchase shares of our common stock at the closing market price on the last day of the period. In addition, the calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. Management believes this adjustment to the December 31, 2017 non-GAAP measure is useful because it removes the tax effects stranded in accumulated other comprehensive income as a result of accounting rules which require the effects of the Tax Reform Act on deferred tax balances to be recorded in earnings, even if the balance was originally recorded in accumulated other comprehensive income.

A reconciliation from book value per share to book value per diluted share, excluding accumulated other comprehensive income (loss) is as follows (dollars in millions, except per share amounts):

	1Q18	2Q18	3Q18	4Q18	1Q19
Total shareholders' equity	\$ 4,617.2	\$ 4,454.9	\$ 3,619.9	\$ 3,370.9	\$ 3,837.9
Shares outstanding for the period	167,354,255	164,433,085	164,634,365	162,201,692	159,955,172
Book value per share	\$ 27.59	\$ 27.09	\$ 21.99	\$ 20.78	\$ 23.99
<hr/>					
Total shareholders' equity	\$ 4,617.2	\$ 4,454.9	\$ 3,619.9	\$ 3,370.9	\$ 3,837.9
Less accumulated other comprehensive income	(894.3)	(700.2)	(403.5)	(177.7)	(654.9)
Adjusted shareholders' equity excluding AOCI	\$ 3,722.9	\$ 3,754.7	\$ 3,216.4	\$ 3,193.2	\$ 3,183.0
Shares outstanding for the period	167,354,255	164,433,085	164,634,365	162,201,692	159,955,172
Dilutive common stock equivalents related to:					
Stock options, restricted stock and performance units	2,351,172	1,537,947	2,189,022	1,391,458	1,168,027
Diluted shares outstanding	169,705,427	165,971,032	166,823,387	163,593,150	161,123,199
Book value per diluted share (a non-GAAP financial measure)	\$ 21.94	\$ 22.62	\$ 19.28	\$ 19.52	\$ 19.76



# Information Related to Certain Non-GAAP Financial Measures

## Interest-adjusted benefit ratios

The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less imputed interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by the imputed interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the effects of such interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance.

(Dollars in millions)

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
<b>Bankers Life</b>					
<b>Long-term care benefit ratios</b>					
Earned premium	\$ 64.2	\$ 64.0	\$ 63.7	\$ 63.8	\$ 63.7
Benefit ratio before imputed interest income on reserves	116.3%	119.3%	122.5%	117.9%	120.6%
Interest-adjusted benefit ratio	73.9%	76.3%	79.0%	74.7%	77.2%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 16.8	\$ 15.1	\$ 13.4	\$ 16.2	\$ 14.5
<b>Washington National</b>					
<b>Supplemental health benefit ratios</b>					
Earned premium	\$ 151.3	\$ 151.8	\$ 152.2	\$ 156.0	\$ 155.6
Benefit ratio before imputed interest income on reserves	78.3%	80.7%	81.3%	77.7%	77.6%
Interest-adjusted benefit ratio	54.4%	56.6%	56.9%	53.8%	53.4%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 69.0	\$ 65.8	\$ 65.6	\$ 72.1	\$ 72.4

## Information Related to Certain Non-GAAP Financial Measures

### Operating return measures

Management believes that an analysis of net income applicable to common stock before net realized investment gains or losses from sales and impairments, net change in market value of investments recognized in earnings, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, fair value changes related to the agent deferred compensation plan, loss on reinsurance transaction, changes in the valuation allowance for deferred tax assets and other tax items, loss on extinguishment of debt and other non-operating items consisting primarily of earnings attributable to variable interest entities (“net operating income,” a non-GAAP financial measure) is important to evaluate the financial performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the Company’s underlying fundamentals.

Management also believes that an operating return, excluding significant items, is important as the impact of these items enhances the understanding of our operating results.

This non-GAAP financial measure also differs from return on equity because accumulated other comprehensive income (loss) has been excluded from the value of equity used to determine this ratio. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

In addition, our equity includes the value of significant net operating loss carryforwards (included in income tax assets). In accordance with GAAP, these assets are not discounted, and accordingly will not provide a return to shareholders (until after it is realized as a reduction to taxes that would otherwise be paid). Management believes that excluding this value from the equity component of this measure enhances the understanding of the effect these non-discounted assets have on operating returns and the comparability of these measures from period-to-period. Operating return measures are used in measuring the performance of our business units and are used as a basis for incentive compensation.

## Information Related to Certain Non-GAAP Financial Measures

The calculations of: (i) operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); (ii) operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); and (iii) return on equity are as follows (dollars in millions):

	Trailing Twelve Months Ended				
	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
Operating income	<u>\$ 315.0</u>	<u>\$ 318.3</u>	<u>\$ 329.1</u>	<u>\$ 303.1</u>	<u>\$ 295.0</u>
Operating income, excluding significant items	<u>\$ 299.6</u>	<u>\$ 309.0</u>	<u>\$ 321.8</u>	<u>\$ 317.3</u>	<u>\$ 310.1</u>
Net Income (loss)	<u>\$ 197.6</u>	<u>\$ 216.4</u>	<u>\$ (414.2)</u>	<u>\$ (315.0)</u>	<u>\$ (347.5)</u>
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	<u>\$ 3,275.4</u>	<u>\$ 3,298.5</u>	<u>\$ 3,232.7</u>	<u>\$ 3,086.7</u>	<u>\$ 2,942.5</u>
Average common shareholders' equity	<u>\$ 4,780.1</u>	<u>\$ 4,740.9</u>	<u>\$ 4,542.6</u>	<u>\$ 4,200.3</u>	<u>\$ 3,918.3</u>
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	9.6%	9.6%	10.2%	9.8%	10.0%
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	9.1%	9.4%	10.0%	10.3%	10.5%
Return on equity	4.1%	4.6%	-9.1%	-7.5%	-8.9%

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## Information Related to Certain Non-GAAP Financial Measures

The following summarizes: (i) operating earnings; (ii) significant items; (iii) operating earnings, excluding significant items; and (iv) net income(loss) (dollars in millions):

	Net Operating <u>income</u>	Significant <u>items (a)</u>	Net Operating income, excluding significant <u>items</u>	Net Operating Income, excluding significant items - trailing <u>four quarters</u>	Net <u>income (loss)</u>	Net income (loss) - trailing <u>four quarters</u>
2Q17	\$ 78.6	\$ (6.1)	\$ 72.5	\$ 255.9	\$ 83.4	\$ 398.5
3Q17	76.7	(2.0)	74.7	269.7	100.8	480.7
4Q17	85.8	(6.4)	79.4	288.3	(70.9)	175.6
1Q18	73.9	(0.9)	73.0	299.6	84.3	197.6
2Q18	81.9	-	81.9	309.0	102.2	216.4
3Q18	87.5	-	87.5	321.8	(529.8)	(414.2)
4Q18	59.8	15.1	74.9	317.3	28.3	(315.0)
1Q19	65.8	-	65.8	310.1	51.8	(347.5)

(a) The significant items have been discussed in prior press releases.

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## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of pretax operating earnings (a non-GAAP financial measure) to net income (loss) is as follows (dollars in millions):

	Twelve Months Ended				
	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
Pretax operating earnings (a non-GAAP financial measure)	\$ 456.7	\$ 439.7	\$ 432.9	\$ 381.2	\$ 369.7
Income tax (expense) benefit	<u>(141.7)</u>	<u>(121.4)</u>	<u>(103.8)</u>	<u>(78.1)</u>	<u>(74.7)</u>
Operating return	<u>315.0</u>	<u>318.3</u>	<u>329.1</u>	<u>303.1</u>	<u>295.0</u>
Non-operating items:					
Net realized investment gains (losses) from sales and impairments, net of related amortization	30.7	34.7	46.3	37.9	36.7
Net change in market value of investments recognized in earnings	(4.5)	(12.8)	(21.2)	(48.8)	(16.5)
Fair value changes in embedded derivative liabilities, net of related amortization	27.0	41.2	61.8	55.5	0.8
Fair value changes and amendment related to the agent deferred compensation plan	(12.2)	(1.2)	12.2	11.9	6.6
Loss on reinsurance transaction	-	-	(704.2)	(704.2)	(704.2)
Other	<u>(5.8)</u>	<u>(8.4)</u>	<u>(4.3)</u>	<u>1.7</u>	<u>(0.4)</u>
Non-operating income (loss) before taxes	35.2	53.5	(609.4)	(646.0)	(677.0)
Income tax expense (benefit):					
On non-operating income (loss)	10.5	13.3	(128.0)	(135.7)	(142.3)
Valuation allowance for deferred tax assets and other tax items	<u>142.1</u>	<u>142.1</u>	<u>261.9</u>	<u>107.8</u>	<u>107.8</u>
Net non-operating income (loss)	<u>(117.4)</u>	<u>(101.9)</u>	<u>(743.3)</u>	<u>(618.1)</u>	<u>(642.5)</u>
Net income (loss)	<u>\$ 197.6</u>	<u>\$ 216.4</u>	<u>\$ (414.2)</u>	<u>\$ (315.0)</u>	<u>\$ (347.5)</u>

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## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to common shareholders' equity, is as follows (dollars in millions):

	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,236.6	\$ 3,263.2	\$ 3,335.0	\$ 3,225.6
Net operating loss carryforwards	640.6	621.6	613.1	409.8
Accumulated other comprehensive income	<u>729.6</u>	<u>894.5</u>	<u>933.6</u>	<u>1,212.1</u>
Common shareholders' equity	<u>\$ 4,606.8</u>	<u>\$ 4,779.3</u>	<u>\$ 4,881.7</u>	<u>\$ 4,847.5</u>

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,318.7	\$ 3,366.0	\$ 2,705.8	\$ 2,687.3
Net operating loss carryforwards	404.2	388.7	510.6	505.9
Accumulated other comprehensive income	<u>894.3</u>	<u>700.2</u>	<u>403.5</u>	<u>177.7</u>
Common shareholders' equity	<u>\$ 4,617.2</u>	<u>\$ 4,454.9</u>	<u>\$ 3,619.9</u>	<u>\$ 3,370.9</u>

	<u>1Q19</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,703.4
Net operating loss carryforwards	479.6
Accumulated other comprehensive income	<u>654.9</u>
Common shareholders' equity	<u>\$ 3,837.9</u>

## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to common shareholders' equity, is as follows (dollars in millions):

	Trailing Four Quarter Average				
	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,275.4	\$ 3,298.5	\$ 3,232.7	\$ 3,086.7	\$ 2,942.5
Net operating loss carryforwards	541.7	483.1	441.1	440.4	461.8
Accumulated other comprehensive income	<u>963.0</u>	<u>959.3</u>	<u>868.8</u>	<u>673.2</u>	<u>514.0</u>
Common shareholders' equity	<u>\$ 4,780.1</u>	<u>\$ 4,740.9</u>	<u>\$ 4,542.6</u>	<u>\$ 4,200.3</u>	<u>\$ 3,918.3</u>

## Information Related to Certain Non-GAAP Financial Measures

### Debt to capital ratio, excluding accumulated other comprehensive income (loss)

The debt to capital ratio, excluding accumulated other comprehensive income (loss), differs from the debt to capital ratio because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management. A reconciliation of these ratios is as follows (dollars in millions):

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
Corporate notes payable	\$ 915.1	\$ 915.7	\$ 916.2	\$ 916.8	\$ 917.3
Total shareholders' equity	<u>4,617.2</u>	<u>4,454.9</u>	<u>3,619.9</u>	<u>3,370.9</u>	<u>3,837.9</u>
Total capital	<u>\$ 5,532.3</u>	<u>\$ 5,370.6</u>	<u>\$ 4,536.1</u>	<u>\$ 4,287.7</u>	<u>\$ 4,755.2</u>
Corporate debt to capital	<u>16.5%</u>	<u>17.1%</u>	<u>20.2%</u>	<u>21.4%</u>	<u>19.3%</u>
Corporate notes payable	\$ 915.1	\$ 915.7	\$ 916.2	\$ 916.8	\$ 917.3
Total shareholders' equity	4,617.2	4,454.9	3,619.9	3,370.9	3,837.9
Less accumulated other comprehensive income	<u>(894.3)</u>	<u>(700.2)</u>	<u>(403.5)</u>	<u>(177.7)</u>	<u>(654.9)</u>
Total capital	<u>\$ 4,638.0</u>	<u>\$ 4,670.4</u>	<u>\$ 4,132.6</u>	<u>\$ 4,110.0</u>	<u>\$ 4,100.3</u>
Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure)	<u>19.7%</u>	<u>19.6%</u>	<u>22.2%</u>	<u>22.3%</u>	<u>22.4%</u>