



Second Quarter 2021

Financial and operating results for the period ended June 30, 2021

July 28, 2021

Unless otherwise specified, comparisons in this presentation are between 2Q20 and 2Q21.



Important Legal Information

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 release issued on July 28, 2021, 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 financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP). 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 the 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, CNOinc.com.



Quarter in Review

Strong earnings; total sales exceed pre-pandemic levels

Strong Operational Performance

- Operating income per share¹ up 60% excl. significant items
- Insurance product margin up 8% excl. significant items; favorably impacted by deferral of care
- Alternative investment income up sharply
- Most growth metrics exceeding pre-COVID levels

Building on Track Record of Execution

- Generated \$114 million in free cash flow
- Returned \$105 million to shareholders
 - \$87 million in share repurchases; reduced weighted average share count by 7%
- Capital and liquidity remain conservatively positioned
- Book value per diluted share excl. AOCI¹ up 12%

¹ A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

Growth Scorecard

All five metrics up year-over-year and versus 2019

(dollars in millions)

	2019	2020				2021		Y/Y Change		
	2Q	2Q	3Q	4Q	TY	1Q	2Q	vs. 2Q19	vs. 2Q20	
Drive Growth	<i>New Annualized Premiums¹</i>									
	Life	\$39.4	\$47.4	\$44.3	\$37.1	\$169.9	\$53.0	\$52.3	32.7%	10.3%
	Health	45.8	22.0	39.4	49.1	154.5	35.7	41.5	-9.4%	88.6%
	Total Life and Health	\$85.2	\$69.4	\$83.7	\$86.2	\$324.4	\$88.7	\$93.8	10.1%	35.2%
	<i>Collected Premiums</i>									
Life	\$202.5	\$206.1	\$213.3	\$212.5	\$839.6	\$226.5	\$223.4	10.3%	8.4%	
Health	418.5	419.2	431.7	421.6	1,691.6	424.7	410.6	-1.9%	-2.1%	
Total Life and Health	\$621.0	\$625.3	\$645.0	\$634.1	\$2,531.2	\$651.2	\$634.0	2.1%	1.4%	
Expand to the Right	<i>Annuity Collected Premiums</i>	\$341.2	\$242.7	\$285.1	\$345.0	\$1,165.0	\$325.4	\$344.3	0.9%	41.9%
	<i>Client Assets in BD and Advisory²</i>	\$1,788.0	\$1,981.4	\$2,067.2	\$2,311.6	\$2,311.6	\$2,444.6	\$2,636.0	47.4%	33.0%
	<i>Fee Revenue³</i>	\$15.8	\$20.7	\$19.9	\$36.6	\$106.0	\$32.3	\$31.1	96.8%	50.2%

1 Measured as 100% of new life and health annualized premiums, except for single premium whole life deposits, which are measured at 10% of annualized premium.

2 Client assets include cash and securities in brokerage, broker/dealer customer account assets custodied directly at fund companies and insurance carriers, and assets under management in advisory accounts. Prior periods have been restated to conform with current presentation.

3 Represents fee revenue from the sales of third-party insurance products; services provided by WBD; fees generated by our broker-dealer and registered investment advisor. Beginning in 1Q21, such amount includes fee revenue earned by DirectPath.

Consumer Division Update

Sales momentum continuing; most metrics exceed pre-COVID levels

Key Initiatives	Second Quarter Highlights
Maintain growth momentum	<ul style="list-style-type: none">• Life & Health sales up 32% YoY; up 19% vs. 2Q19• Annuity collected premiums up 42% YoY; up 1% vs. 2Q19
Optimize distribution	<ul style="list-style-type: none">• Ongoing cross-channel collaboration driving productivity• Over 50% of all new agents from preferred sources, such as personal referrals• Registered agent¹ count up 6%
Expand reach	<ul style="list-style-type: none">• Approximately 50% of Life and Health NAP sold virtually• Additional products sold through multiple channels• Steady growth in client assets in brokerage and advisory

¹ Registered agents are dually licensed as insurance agents and financial representatives who can buy and sell securities for clients, and/or investment advisors who can provide ongoing investment advice for clients.

Worksite Division Update

Sales continuing to recover; workplace re-openings accelerating

Key Initiatives	Second Quarter Highlights
Restore growth	<ul style="list-style-type: none">• Life & Health sales up 88% YoY• Fee revenue up 110% YoY due to DirectPath• Stable employer base and premium collection
Optimize distribution	<ul style="list-style-type: none">• Exclusive producing agent count up 15% YoY<ul style="list-style-type: none">• Veteran producers up 7% vs. 2Q19• Cross-training / cross-sales momentum building between channels; early DirectPath/WBD cross-sale success
Expand reach	<ul style="list-style-type: none">• Average client size increasing; penetration deepening• New group pipeline growing

Excess Capital Allocation Strategy

Disciplined and opportunistic approach to maximize shareholder value



Organic investments to sustain and grow the core businesses

- Agent pilots, technology-driven customer experience enhancements
- Hybrid distribution
- Worksite B2B marketing, lead generation



Return capital to shareholders

- \$87 million in share repurchases / \$17 million in dividends in 2Q21
- 9th consecutive annual dividend increase
- Continued capacity to repurchase shares



Opportunistic transactions

- Highly selective M&A
- CNO Ventures; strategic minority investments largely in insurtech
- LTC reinsurance (2018), Web Benefits Design (2019), DirectPath (2021)

Financial Highlights

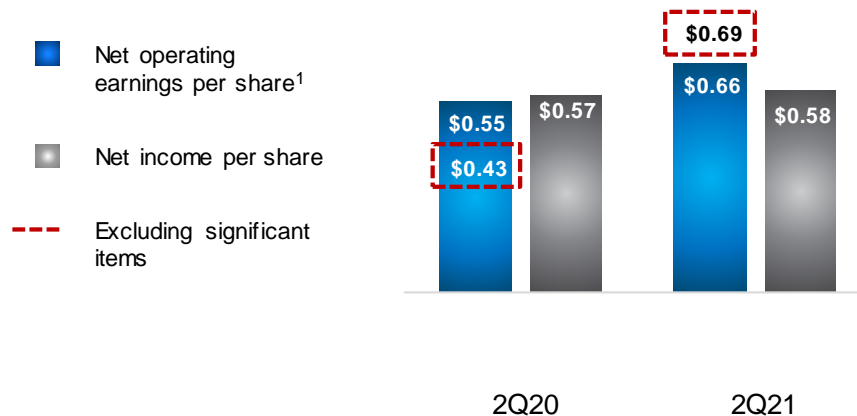
Operating EPS up 20%; continued favorable COVID impact; strong NII

Second Quarter 2021

- Operating EPS¹ of \$0.66, up 20% vs. 2Q20; up 60% excl. significant items
 - \$0.12 / \$21 million pre-tax net favorable COVID impact vs. (\$0.03) / \$6 million pre-tax net unfavorable impact in 2Q20
 - \$0.18 / \$31 million pre-tax variable net investment income vs. (\$0.05) / \$10 million pre-tax loss in 2Q20
 - Total expenses of \$161 million excl. significant items, up 12% YoY; up 8% YTD
- Operating ROE¹, as adjusted, of 12.3%
- \$87 million in share repurchases
- Weighted average share count reduced by 7% YoY

Earnings Results

(dollars in millions, except where noted)



	2Q20	2Q21
Net operating income ¹	\$79.4	\$89.1
Net income	\$82.0	\$78.0
Weighted average shares outstanding (in millions)	143.9	133.8

¹ A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

Insurance Product Margin

Continued benefit from deferral of care; stable underlying margins

(dollars in millions)

Insurance Product Margin Excluding Significant Items¹

	2Q20	3Q20	4Q20	1Q21	2Q21
Annuity	\$72.3	\$45.3	\$52.0	\$57.9	\$66.0
<i>Margin / average net insurance liabilities</i>	2.99%	1.86%	2.11%	2.33%	2.63%
Health	\$95.5	\$152.2	\$125.2	\$124.7	\$120.9
<i>Margin / insurance policy income</i>	22%	36%	30%	30%	29%
Life	\$41.7	\$47.3	\$41.6	\$27.1	\$39.7
<i>ISL: Margin / average net insurance liabilities</i>	0.44%	0.30%	0.17%	0.80%	0.66%
<i>ISL: Underwriting margin / insurance policy income</i>	42%	43%	36%	30%	37%
<i>Trad: Margin / insurance policy income</i>	16%	18%	17%	8%	14%
<i>Trad: Margin ex. Adv. Exp. / insurance policy income</i>	26%	27%	26%	21%	28%
Total Margin	\$209.5	\$244.8	\$218.8	\$209.7	\$226.6

¹ Excludes \$16.1 million favorable annuity unlocking/\$4.3 million unfavorable life unlocking in 4Q20; \$51.5 million favorable annuity unlocking/\$5.6 million unfavorable life unlocking in 2Q20. See the Appendix for a reconciliation to the corresponding GAAP measure.

Highlights¹

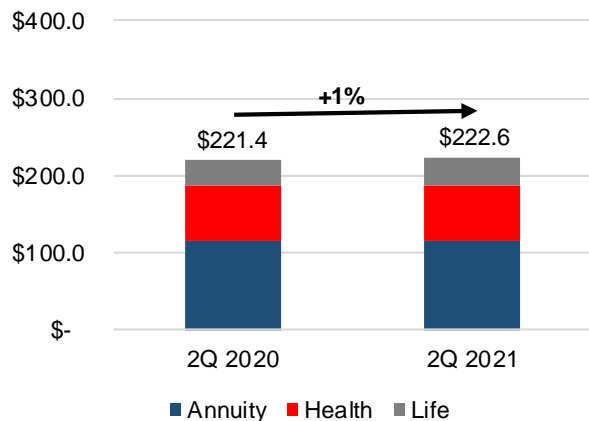
- Total margin up \$17 million, or 8%
 - Favorable COVID impact of \$21 million (vs. unfavorable \$6 million in 2Q20)
- Annuity margin down \$6 million, or 9%
 - Favorable COVID impact of \$2 million (vs. favorable \$4 million in 2Q20)
 - 2Q20 included \$10 million favorable non-COVID mortality impact
- Health margin up \$25 million, or 27%
 - Favorable COVID impact of \$30 million from deferral of care (vs. favorable \$4 million in 2Q20)
 - Medicare Supplement: \$11 million
 - Supplemental health: \$2 million
 - Long-term care: \$17 million
- Life margin down \$2 million, or 5%
 - Unfavorable COVID impact of \$11 million (vs. unfavorable \$14 million in 2Q20)
- Underlying business performing as expected excluding COVID

Investment Results

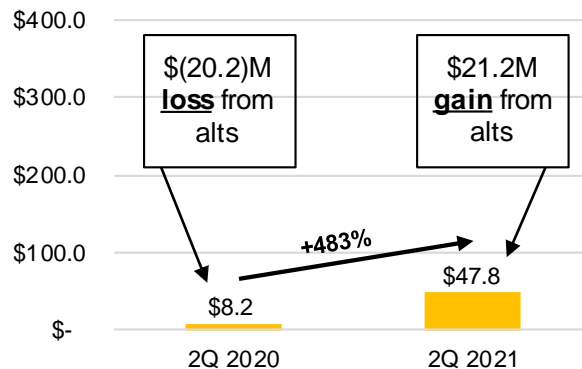
Alternatives outperformance drove sharp increase in overall NII; up-in-quality portfolio shift

(dollars in millions)

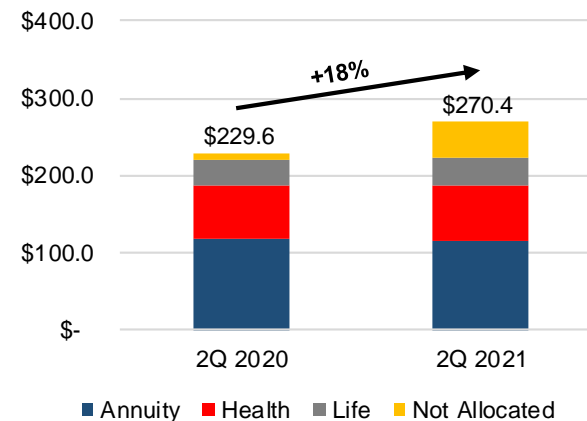
Investment Income Allocated to Product Lines



Investment Income Not Allocated to Product Lines



Total Net Investment Income¹



- Average yield on allocated investments was 4.75% vs. 4.81% in 1Q21 and 4.92% in 2Q20
- New money rate of 3.38%; down from 3.57% in 1Q21 due to up-in-quality actions (-16 bps) and declining interest rates throughout quarter
 - \$1.1B new money investments with average rating of A and average duration of 16 years

- Investment Income Not Allocated to Product Lines up \$39.6 million YoY
 - Strong alternatives performance in 2Q21, compared to loss in 2Q20

- Invested assets up 5% YoY
- 200 bps reduction in BBB/HY
- Earned yield of 4.97% vs. 5.03% in 1Q21 and 4.23% in 2Q20

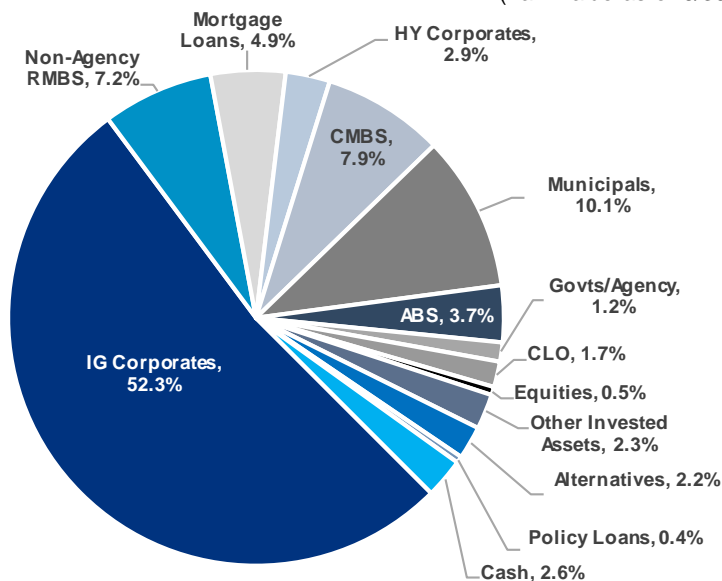
¹ Reflects sum of allocated and non-allocated investment income. Refer to pages 16-19 of the financial supplement for more information on the components of net investment income.

Portfolio Composition

Continues to be high quality, well-positioned

\$28 billion of Invested Assets

(Fair Value as of 6/30/2021)



General Approach

- Positioned for stable performance across credit cycles
- Focus on quality
- Lower than average allocation to most higher risk categories
- Low impairments through multiple cycles

Highlights

- **\$23.5 billion of assets with high degree of liquidity**
- **65% of portfolio in corporate and government bonds**
 - ~\$14.8 billion public corporate bonds
 - ~\$5.6 billion structured securities
 - ~\$3.1 billion municipal, political subdivisions, and U.S. and foreign government bonds
- **Strong credit risk profile**
 - 96% rated NAIC 1 / 2
 - Diversified commercial and residential mortgages with favorable performance metrics and strong operating characteristics. No delinquencies.
 - Significant credit enhancement in structured products
 - Alternative investments emphasizing current cash flows and comparatively predictable results

Cash Flow Profile

Strong free cash flow generation and conversion

(dollars in millions)

	For the Quarter		Trailing Twelve Months	
	2Q20	2Q21	2Q20	2Q21
Net Operating Income ¹	\$ 79.4	\$ 89.1	\$ 311.5	\$ 362.9
Holding Company Cash Flows:				
Dividends from Subsidiaries	\$ 77.6	\$ 106.5	\$ 220.8	\$ 364.0
Management Fees	27.0	27.6	114.8	114.2
Surplus Debenture Interest	12.1	12.1	59.2	57.2
Earnings on Corporate Investments	12.5	2.4	29.1	9.5
Other	21.0	22.4	13.2	70.8
Holding Company Sources of Cash²	150.2	171.0	437.2	615.7
Holding Company Expenses and Other	(33.0)	(14.4)	(109.0)	(74.2)
Tax Payments	-	(14.1)	-	(52.0)
Interest Payments	(26.4)	(28.3)	(52.1)	(57.0)
Excess Cash Flow to Holding Company²	90.8	114.2	276.0	432.5
Net Proceeds from New Debt	-	-	-	146.4
Share Repurchases	(30.0)	(84.6)	(265.3)	(332.4)
Dividend Payments to Stockholders	(17.4)	(17.3)	(66.8)	(67.0)
Acquisition	-	-	-	(51.1)
Net Change in Holding Company Cash and Investments	43.4	12.3	(56.1)	128.4
Non-Cash Changes in Investment Balances	(3.5)	-	-	-
Cash and Investments, Beginning of Period	168.1	324.1	264.1	208.0
Cash and Investments, End of Period	\$ 208.0	\$ 336.4	\$ 208.0	\$ 336.4

1 A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

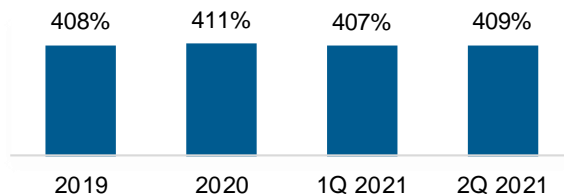
2 Cash flows exclude capital contributions to insurance subsidiaries, acquisitions, dividend payments, stock repurchases, and financing transactions.

Capital and Liquidity Overview

Conservative approach to capital structure; strong liquidity

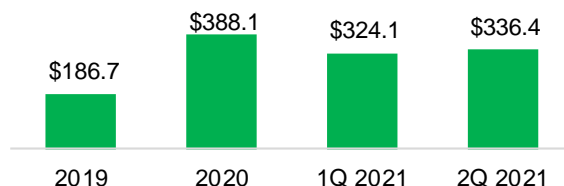
(dollars in millions)

Consolidated Risk Based Capital (“RBC”) Ratio¹



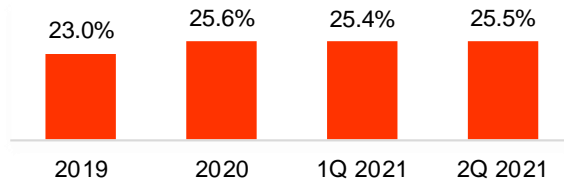
- Targeted consolidated RBC ratio of 375-400%
- Excess due to intentional conservative positioning
- RBC variability can be expected in periods of market volatility

Holding Company Liquidity



- Minimum targeted holding company liquidity of \$150 million
- Liquidity bolstered by \$250 million undrawn revolver
- No outstanding debt maturities until 2025

Debt to Capital²



- Target leverage of 25.0 – 28.0%
- Debt covenant ceiling of 35%
- Debt capacity within limit of target leverage \$157 million

1 The ratio of the combined capital of the insurance companies to the minimum amount of capital appropriate to support the overall business operations, as determined based on the methodology developed by the National Association of Insurance Commissioners.

2 Excluding accumulated other comprehensive income (a non-GAAP measure). See the Appendix for a reconciliation to the corresponding GAAP measure.

Outlook

Sales

- Continued positive momentum

Earnings

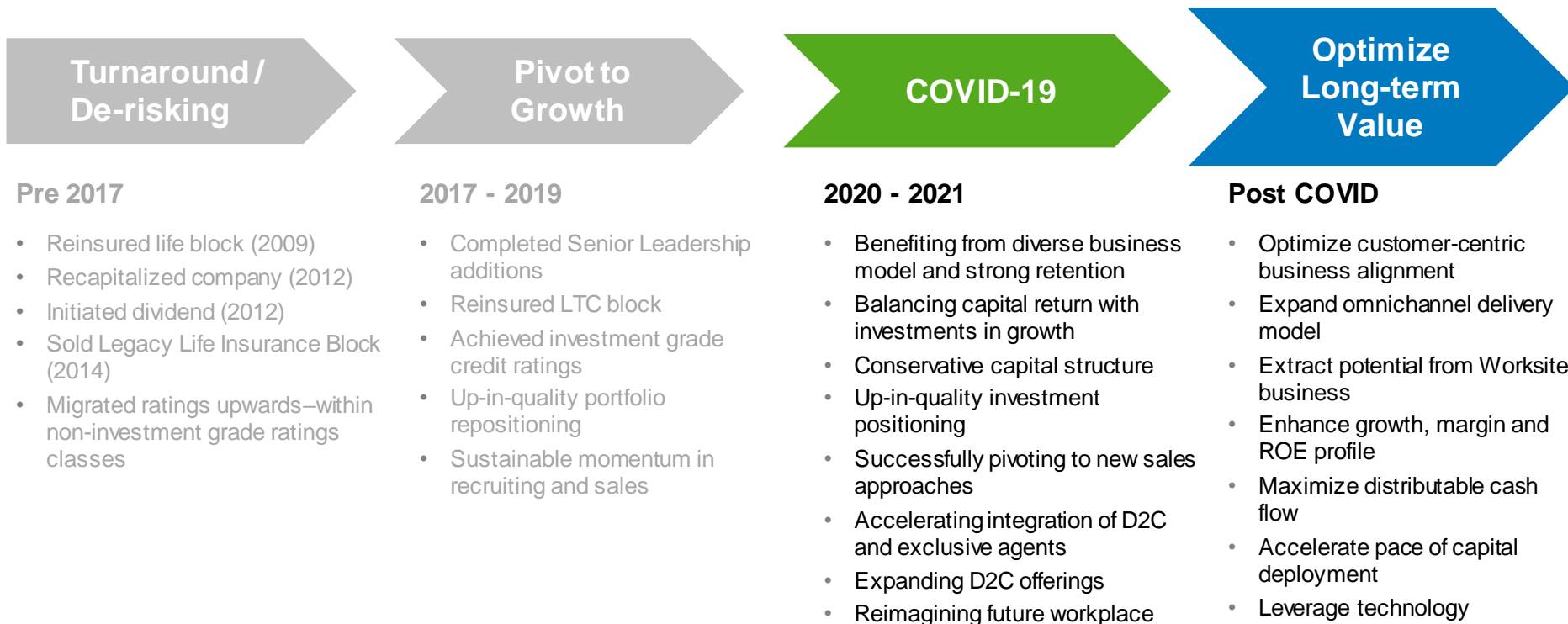
- COVID-related
 - Still much uncertainty
 - Assuming pandemic doesn't worsen
 - Modest net favorable mortality/morbidity impact in second half 2021
 - Modest net unfavorable mortality/morbidity impact in 2022
- Investment income
 - Allocated to products: flat to prior year in second half 2021
 - Not allocated to products: below prior year in second half 2021, assuming mean reversion in return on alternative investments
- Fee income
 - Modestly favorable to prior year in second half 2021
- Expenses (excluding significant items)
 - Third and fourth quarter 2021 generally consistent with first quarter 2021

Free Cash Flow / Excess Capital

- As COVID uncertainty diminishes, manage capital and liquidity closer to target levels, reducing excess capital over time

Delivering On Our Commitments

Pivoting to post COVID strategic priorities



Investment Highlights



Well-positioned in underserved senior middle-income market



Favorable demographic tailwinds



Highly differentiated business model



Sustainable growth initiatives in place



Strong balance sheet; robust free cash flow generation

Questions and Answers

Appendix 1: Quarter in Review

Strong Operational Performance

- Broker-Dealer/Registered Investment Advisor
- Exclusive Agent Counts

Slide 20

Slide 21

Building on Strong Track Record of Execution

- New Money Rate Walk
- New Money Summary
- Long-Term Care Insurance
- Tax Asset Summary

Slide 22

Slide 23

Slide 24

Slide 25

Broker-Dealer/Registered Investment Advisor

Account values up 33% YoY; \$2.6 billion in client assets

(dollars in millions)

		2020			2021	
		2Q	3Q	4Q	1Q	2Q
Net New Client Assets in Brokerage and Advisory¹	Brokerage	\$ (26.7)	\$ (31.5)	\$ 3.0	\$ (12.4)	\$ 2.2
	Advisory	38.6	23.5	43.9	74.2	69.9
	Total	\$ 11.9	\$ (8.0)	\$ 46.9	\$ 61.8	\$ 72.1
Client Assets in Brokerage and Advisory¹ at end of period	Brokerage	\$ 1,355.2	\$ 1,384.4	\$ 1,520.9	\$ 1,560.3	\$ 1,635.3
	Advisory	626.2	682.8	790.7	884.3	1,000.7
	Total	\$ 1,981.4	\$ 2,067.2	\$ 2,311.6	\$ 2,444.6	\$ 2,636.0

¹ Client assets include cash and securities in brokerage, broker/dealer customer account assets custodied directly at fund companies and insurance carriers, and assets under management in advisory accounts. Prior periods have been restated to conform with current presentation.

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Exclusive Agent Counts

Solid YoY producing agent count growth; sequential metrics mixed

Consumer	2020			2021		% Change
	2Q	3Q	4Q	1Q	2Q	Y/Y
Producing Field Agents ^{1,3}	4,066	4,448	4,539	4,389	4,360	7.2%
Producing Tele-Sales Agents ^{1,3}	237	239	257	258	247	4.2%
Total Producing Agents ^{1,3}	4,303	4,687	4,796	4,647	4,607	7.1%
Registered Agents ^{2,3}	603	618	641	646	639	6.0%
Worksite						
Producing Field Agents ^{1,3}	225	242	255	241	258	14.7%

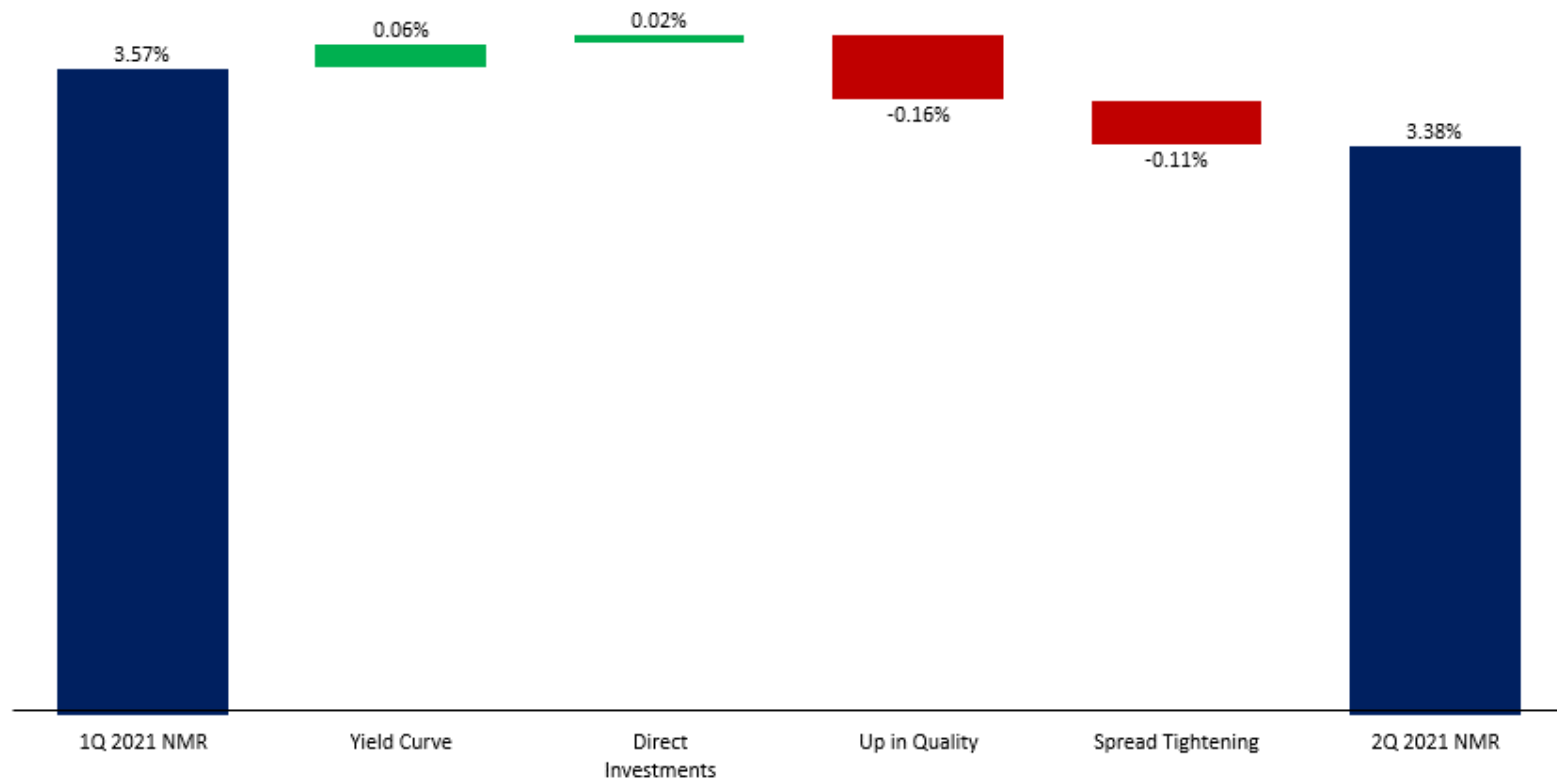
1 Producing agents are exclusive agents that have submitted at least one policy in the month.

2 Registered agents are dually licensed as insurance agents and financial representatives who can buy and sell securities for clients, and/or investment advisors who can provide ongoing investment advice for clients.

3 Agent and representative counts represent the average of the last 3 months.

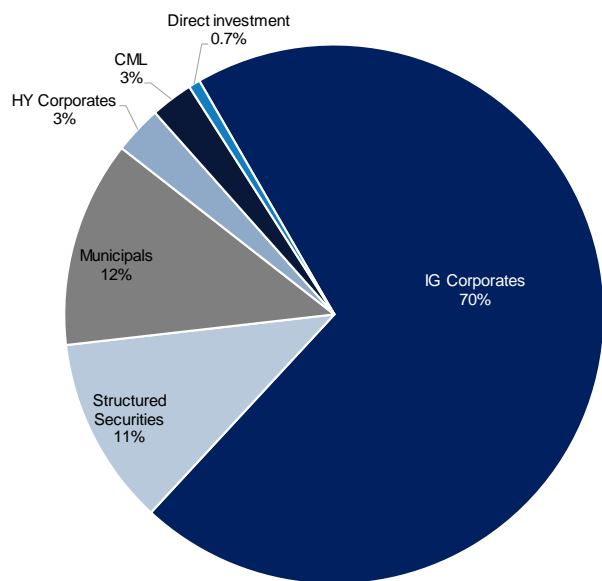
New Money Rate Walk

Lower sequentially; higher average rates offset by tighter spreads, up-in-quality bias, end of quarter rate environment



New Money Summary

Continued up-in-quality bias during second quarter



97% Investment Grade Allocation

Second Quarter Investments

	Allocation \$	Allocation%	Yield	Average Rating	Average Duration
IG Corporates	763	70.2%	3.34%	A	18.3
Structured Securities	123	11.3%	3.32%	BBB+	8.0
Municipals	135	12.4%	3.11%	AA	17.0
HY Corporates	31	2.9%	4.46%	BB-	5.7
CML	28	2.5%	3.15%	A	6.0
Direct investment	7	0.7%	9.80%	NR	0.0
Total	1,087	100%	3.38%	A	16.1

Long-Term Care Insurance

Highly differentiated in-force block; prudently managed

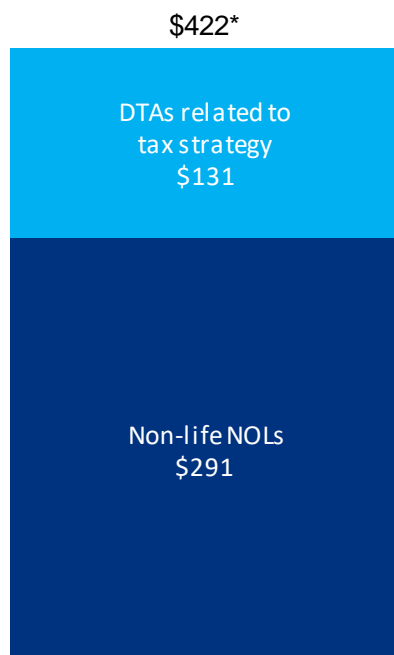
- **New sales (~\$25 million annually) focused on short duration products**
 - 98% of new sales for policies with 2 years or less in benefits
 - Average benefit period of 11 months
 - New business 25% reinsured since 2008
- **Reserve assumptions informed by historical experience**
 - No morbidity improvement
 - No mortality improvement
 - Minimal future rate increases
 - New money rates reflect a low for long environment
- **Favorable economic profile**
 - 2020 Loss Recognition Testing margin increased to \$302 million or ~12% of Net GAAP Liabilities driven by margin from new business and favorable pre-COVID morbidity trends
 - Statutory reserves ~\$190 million higher than LTC Net GAAP Liabilities, which are currently ~\$2.49 billion
 - Total LTC is just 13% of overall CNO reserves
 - Potential adverse impact from severe stress scenarios is significantly reduced
 - Average original daily benefit is \$143 per day for inforce block

Tax Asset Summary as of June 30, 2021

\$422 million/\$3.21 per diluted share value of NOLs and DTAs related to tax strategy

Value of NOLs and deferred tax assets (DTAs) related to tax strategy

(dollars in millions)



*Excludes the \$80 million tax receivable related to the loss carrybacks permitted by the CARES Act.

Details

- Total estimated economic value of tax assets related to our NOLs and tax strategy of approximately \$350 million @ 10% discount rate (\$2.66 on a per share basis).
- Life NOLs have been fully utilized. Non-life NOLs are expected to offset 100% of non-life taxable income and 35% of life taxable income through 2023.
- Tax refund related to the loss carrybacks permitted by the CARES Act of \$80 million was received in 3Q 2021, which will reduce the future economic value to \$270 million (\$2.05 on a per share basis).

Appendix 2: Financial Exhibits

- Non-GAAP Financial Measures

Slides 27-44

2Q21 Significant Items

The table below summarizes the financial impact of significant items on our 2Q21 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

	Three months ended June 30, 2021		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity	\$ 66.0	\$ -	\$ 66.0
Health	120.9	-	120.9
Life	39.7	-	39.7
Total insurance product margin	226.6	-	226.6
Allocated expenses	(141.6)	-	(141.6)
Income from insurance products	85.0	-	85.0
Fee income	6.6	-	6.6
Investment income not allocated to product lines	47.8	-	47.8
Expenses not allocated to product lines	(23.8)	4.5 (1)	(19.3)
Operating earnings before taxes	115.6	4.5	120.1
Income tax expense on operating income	(26.5)	(1.0)	(27.5)
Net operating income (2)	<u>\$ 89.1</u>	<u>\$ 3.5</u>	<u>92.6</u>
Net operating income per diluted share (2)	<u>\$ 0.66</u>	<u>\$ 0.03</u>	<u>\$ 0.69</u>

(1) Comprised of \$4.5 million from legal and regulatory matters.

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

1Q21 Significant Items

The table below summarizes the financial impact of significant items on our 1Q21 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

	Three months ended March 31, 2021		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity	\$ 57.9	\$ -	\$ 57.9
Health	124.7	-	124.7
Life	27.1	-	27.1
Total insurance product margin	209.7	-	209.7
Allocated expenses	(141.1)	-	(141.1)
Income from insurance products	68.6	-	68.6
Fee income	7.3	-	7.3
Investment income not allocated to product lines	43.0	-	43.0
Expenses not allocated to product lines	(22.0)	7.8 (1)	(14.2)
Operating earnings before taxes	96.9	7.8	104.7
Income tax expense on operating income	(21.7)	(1.7)	(23.4)
Net operating income (2)	<u>\$ 75.2</u>	<u>\$ 6.1</u>	<u>81.3</u>
Net operating income per diluted share (2)	<u>\$ 0.55</u>	<u>\$ 0.04</u>	<u>\$ 0.59</u>

- (1) Comprised of: (i) \$5.3 million from legal and regulatory matters; and (ii) \$2.5 million of transaction expenses related to the previously announced acquisition of DirectPath, LLC. The legal and regulatory matters primarily consist of an increase to our liability for claims and interest pursuant to the Global Resolution Agreement, as we have now processed and verified most of the claims provided by the third party auditor allowing us to more accurately estimate the ultimate liability.
- (2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

4Q20 Significant Items

The table below summarizes the financial impact of significant items on our 4Q20 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

	Three months ended December 31, 2020		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity	\$ 68.1	\$ (16.1) (1)	\$ 52.0
Health	125.2	-	125.2
Life	37.3	4.3 (1)	41.6
Total insurance product margin	230.6	(11.8)	218.8
Allocated expenses	(162.7)	-	(162.7)
Income from insurance products	67.9	(11.8)	56.1
Fee income	2.9	-	2.9
Investment income not allocated to product lines	57.8	-	57.8
Expenses not allocated to product lines	(17.8)	3.7 (2)	(14.1)
Operating earnings before taxes	110.8	(8.1)	102.7
Income tax expense on operating income	(24.8)	1.7	(23.1)
Net operating income (3)	<u>\$ 86.0</u>	<u>\$ (6.4)</u>	<u>\$ 79.6</u>
Net operating income per diluted share (3)	<u>\$ 0.61</u>	<u>\$ (0.04)</u>	<u>\$ 0.57</u>

- (1) Adjustments arising from our comprehensive annual actuarial review of assumptions.
- (2) Unfavorable impact related to asset impairments.
- (3) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

2Q20 Significant Items

The table below summarizes the financial impact of significant items on our 2Q20 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

	Three months ended June 30, 2020		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity	\$ 123.8	\$ 40.0 (1) (91.5) (1)	\$ 72.3
Health	95.5	-	95.5
Life	36.1	5.6 (1)	41.7
Total insurance product margin	255.4	(45.9)	209.5
Allocated expenses	(128.1)	-	(128.1)
Income from insurance products	127.3	(45.9)	81.4
Fee income	5.2	-	5.2
Investment income not allocated to product lines	8.2	-	8.2
Expenses not allocated to product lines	(38.5)	23.5 (2)	(15.0)
Operating earnings before taxes	102.2	(22.4)	79.8
Income tax expense on operating income	(22.8)	4.7	(18.1)
Net operating income (3)	<u>\$ 79.4</u>	<u>\$ (17.7)</u>	<u>\$ 61.7</u>
Net operating income per diluted share (3)	<u>\$0.55</u>	<u>\$ (0.12)</u>	<u>\$ 0.43</u>

The footnotes to the above table are on the following page.

2Q20 Significant Items

(Continued from the previous page)

- (1) Given our expectation that interest rates will remain low for the long-term, we performed an actuarial unlocking exercise in the second quarter of 2020 to reflect our assumption that average new money rates will remain flat at 4 percent forever. This change and the related impacts to persistency assumptions had a \$45.6 million unfavorable impact on pre-tax earnings. As part of the actuarial unlocking exercise, we also changed our assumptions related to the future option costs we incur in providing benefits on fixed index annuities which had a favorable impact on pre-tax earnings of \$91.5 million. The impact of these changes in assumptions is summarized below (dollars in millions):

	Line of business			Total
	Fixed index annuities	Fixed interest annuities	Interest-sensitive life	
	Favorable (unfavorable)			
<u>Impacts of an average new money rate assumption of 4 percent</u>				
Insurance policy benefits	\$ (5.0)	\$ —	\$ (7.4)	\$ (12.4)
Amortization	(25.6)	(9.4)	1.8	(33.2)
Subtotal	(30.6)	(9.4)	(5.6)	(45.6)
<u>Impacts of changes in future option costs</u>				
Insurance policy benefits	104.8	—	—	104.8
Amortization	(13.3)	—	—	(13.3)
Subtotal	91.5	—	—	91.5
Impact on pre-tax income	\$ 60.9	\$ (9.4)	\$ (5.6)	\$ 45.9

This actuarial unlocking exercise did not replace our comprehensive annual review of all assumptions for our insurance products, which we completed in the fourth quarter of 2020.

- (2) We increased our liability for claims and interest pursuant to the previously disclosed Global Resolution Agreement entered into in November 2018. Pursuant to this agreement, a third-party auditor is acting on behalf of 41 states and the District of Columbia for the purpose of identifying deceased insureds and contract holders where benefits are payable pursuant to unclaimed property laws. The third-party auditor has provided information that we have processed and verified allowing us to more accurately estimate the ultimate liability pursuant to this agreement.
- (3) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

4Q19 Significant Items

The table below summarizes the financial impact of significant items on our 4Q19 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

	Three months ended December 31, 2019		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity	\$ 60.5	\$ 0.3 (1)	\$ 60.8
Health	93.0	-	93.0
Life	46.7	9.7 (1)	56.4
Total insurance product margin	200.2	10.0	210.2
Allocated expenses	(140.6)	-	(140.6)
Income from insurance products	59.6	10.0	69.6
Fee income	11.7	-	11.7
Investment income not allocated to product lines	26.2	-	26.2
Expenses not allocated to product lines	2.8	(20.0) (2)	(17.2)
Operating earnings before taxes	100.3	(10.0)	90.3
Income tax expense on operating income	(21.7)	2.1	(19.6)
Net operating income (3)	<u>\$ 78.6</u>	<u>\$ (7.9)</u>	<u>\$ 70.7</u>
Net operating income per diluted share (3)	<u>\$ 0.52</u>	<u>\$ (0.05)</u>	<u>\$ 0.47</u>

- (1) Adjustments arising from our comprehensive annual actuarial review of assumptions.
(2) \$20.0 million of the net favorable impact from legal and regulatory matters.
(3) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

Quarterly Earnings

(dollars in millions)

	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>
Insurance product margin					
Annuity	\$ 123.8	\$ 45.3	\$ 68.1	\$ 57.9	\$ 66.0
Health	95.5	152.2	125.2	124.7	120.9
Life	36.1	47.3	37.3	27.1	39.7
Total insurance product margin	255.4	244.8	230.6	209.7	226.6
Allocated expenses	(128.1)	(130.3)	(162.7)	(141.1)	(141.6)
Income from insurance products	127.3	114.5	67.9	68.6	85.0
Fee income	5.2	0.8	2.9	7.3	6.6
Investment income not allocated to product lines	8.2	43.7	57.8	43.0	47.8
Expenses not allocated to product lines	(38.5)	(13.7)	(17.8)	(22.0)	(23.8)
Operating earnings before taxes	102.2	145.3	110.8	96.9	115.6
Income tax expense on operating income	(22.8)	(32.7)	(24.8)	(21.7)	(26.5)
Net operating income*	79.4	112.6	86.0	75.2	89.1
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	12.3	7.7	12.6	3.6	24.3
Net change in market value of investments recognized in earnings	31.2	8.5	6.0	(6.4)	5.7
Fair value changes in embedded derivative liabilities (net of related amortization)	(27.1)	(1.6)	16.3	82.1	(44.9)
Fair value changes related to agent deferred compensation plan	(13.2)	-	(3.1)	13.2	-
Other	-	6.5	0.9	0.6	0.9
Non-operating income (loss) before taxes	3.2	21.1	32.7	93.1	(14.0)
Income tax expense (benefit) on non-operating income	0.6	4.5	6.9	20.9	(2.9)
Net non-operating income (loss)	2.6	16.6	25.8	72.2	(11.1)
Net income	<u>\$ 82.0</u>	<u>\$ 129.2</u>	<u>\$ 111.8</u>	<u>\$ 147.4</u>	<u>\$ 78.0</u>

* Management believes that an analysis of Net income applicable to common stock before: (i) net realized investment gains or losses from sales, impairments and the change in allowance for credit losses, net of related amortization and taxes; (ii) net change in market value of investments recognized in earnings, net of taxes; (iii) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, net of related amortization and taxes; (iv) fair value changes related to the agent deferred compensation plan, net of taxes; (v) loss on extinguishment of debt, net of taxes; (vi) changes in the valuation allowance for deferred tax assets and other tax items; and (viii) other non-operating items consisting primarily of earnings attributable to variable interest entities, net of taxes ("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. A reconciliation of Net operating income to Net income applicable to common stock is provided in the above table.

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.

Operating earnings measures

Management believes that an analysis of net income applicable to common stock before net realized investment gains or losses from sales, impairments and change in allowance for credit losses, 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 extinguishment of debt, 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>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>
Net income applicable to common stock	\$ 82.0	\$ 129.2	\$ 111.8	\$ 147.4	\$ 78.0
Non-operating items:					
Net realized investment (gains) losses from sales and impairments, net of related amortization	(12.3)	(7.7)	(12.6)	(3.6)	(24.3)
Net change in market value of investments recognized in earnings	(31.2)	(8.5)	(6.0)	6.4	(5.7)
Fair value changes in embedded derivative liabilities, net of related amortization	27.1	1.6	(16.3)	(82.1)	44.9
Fair value changes related to the agent deferred compensation plan	13.2	-	3.1	(13.2)	-
Other	-	(6.5)	(0.9)	(0.6)	(0.9)
Non-operating (income) loss before taxes	(3.2)	(21.1)	(32.7)	(93.1)	14.0
Income tax (expense) benefit on non-operating (income) loss	(0.6)	(4.5)	(6.9)	(20.9)	2.9
Net non-operating (income) loss	(2.6)	(16.6)	(25.8)	(72.2)	11.1
Net operating income (a non-GAAP financial measure)	\$ 79.4	\$ 112.6	\$ 86.0	\$ 75.2	\$ 89.1
Per diluted share:					
Net income	\$ 0.57	\$ 0.91	\$ 0.80	\$ 1.08	\$ 0.58
Net realized investment (gains) losses from sales and impairments (net of related amortization and taxes)	(0.07)	(0.04)	(0.07)	(0.02)	(0.14)
Net change in market value of investments recognized in earnings (net of taxes)	(0.17)	(0.05)	(0.04)	0.04	(0.03)
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	0.15	0.01	(0.09)	(0.47)	0.26
Fair value changes related to the agent deferred compensation plan (net of taxes)	0.07	-	0.02	(0.08)	-
Other	-	(0.04)	(0.01)	-	(0.01)
Net operating income (a non-GAAP financial measure)	\$ 0.55	\$ 0.79	\$ 0.61	\$ 0.55	\$ 0.66

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>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>
Operating income	<u>\$ 79.4</u>	<u>\$ 112.6</u>	<u>\$ 86.0</u>	<u>\$ 75.2</u>	<u>\$ 89.1</u>
Weighted average shares outstanding for basic earnings per share	143,422	140,900	138,232	134,140	131,016
Effect of dilutive securities on weighted average shares:					
Stock options, restricted stock and performance units	<u>519</u>	<u>830</u>	<u>2,155</u>	<u>2,513</u>	<u>2,798</u>
Weighted average shares outstanding for diluted earnings per share	<u>143,941</u>	<u>141,730</u>	<u>140,387</u>	<u>136,653</u>	<u>133,814</u>
Net operating income per diluted share	<u>\$ 0.55</u>	<u>\$ 0.79</u>	<u>\$ 0.61</u>	<u>\$ 0.55</u>	<u>\$ 0.66</u>

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.

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)

	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>
Total shareholders' equity	<u>\$ 4,731.2</u>	<u>\$ 5,083.9</u>	<u>\$ 5,484.2</u>	<u>\$ 4,860.7</u>	<u>\$ 5,324.0</u>
Shares outstanding for the period	<u>141,718,570</u>	<u>138,931,352</u>	<u>135,279,119</u>	<u>132,268,255</u>	<u>129,105,039</u>
Book value per share	<u>\$ 33.38</u>	<u>\$ 36.59</u>	<u>\$ 40.54</u>	<u>\$ 36.75</u>	<u>\$ 41.24</u>
<hr/>					
Total shareholders' equity	\$ 4,731.2	\$ 5,083.9	\$ 5,484.2	\$ 4,860.7	\$ 5,324.0
Less accumulated other comprehensive income	(1,520.2)	(1,801.6)	(2,186.1)	(1,518.1)	(1,995.5)
Adjusted shareholders' equity excluding AOCI	<u>\$ 3,211.0</u>	<u>\$ 3,282.3</u>	<u>\$ 3,298.1</u>	<u>\$ 3,342.6</u>	<u>\$ 3,328.5</u>
Shares outstanding for the period	141,718,570	138,931,352	135,279,119	132,268,255	129,105,039
Dilutive common stock equivalents related to:					
Stock options, restricted stock and performance units	691,574	1,040,861	2,438,176	2,356,263	2,444,309
Diluted shares outstanding	<u>142,410,144</u>	<u>139,972,213</u>	<u>137,717,295</u>	<u>134,624,518</u>	<u>131,549,348</u>
Book value per diluted share (a non-GAAP measure)	<u>\$ 22.55</u>	<u>\$ 23.45</u>	<u>\$ 23.95</u>	<u>\$ 24.83</u>	<u>\$ 25.30</u>

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, impairments and change in allowance for credit losses, 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 extinguishment of debt, 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 item, 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				
	2Q20	3Q20	4Q20	1Q21	2Q21
Operating income	\$ 311.5	\$ 354.9	\$ 362.3	\$ 353.2	\$ 362.9
Operating income, excluding significant items	\$ 285.9	\$ 329.3	\$ 338.2	\$ 335.2	\$ 366.1
Net income	\$ 380.8	\$ 468.0	\$ 301.8	\$ 470.4	\$ 466.4
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,722.9	\$ 2,760.6	\$ 2,812.4	\$ 2,876.5	\$ 2,947.7
Average common shareholders' equity	\$ 4,372.0	\$ 4,498.2	\$ 4,665.4	\$ 4,903.1	\$ 5,114.1
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	11.4%	12.9%	12.9%	12.3%	12.3%
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	10.5%	11.9%	12.0%	11.7%	12.4%
Return on equity	8.7%	10.4%	6.5%	9.6%	9.1%

(Continued on next page)

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 income	Significant items (a)	Net operating income, excluding significant items	Net operating income, excluding significant items - trailing four quarters	Net income (loss)	Net income - trailing four quarters
3Q19	\$ 69.2	\$ -	\$ 69.2	\$ 286.3	\$ 42.0	\$ 159.7
4Q19	78.6	(7.9)	70.7	282.1	278.0	409.4
1Q20	84.3	-	84.3	300.6	(21.2)	336.4
2Q20	79.4	(17.7)	61.7	285.9	82.0	380.8
3Q20	112.6	-	112.6	329.3	129.2	468.0
4Q20	86.0	(6.4)	79.6	338.2	111.8	301.8
1Q21	75.2	6.1	81.3	335.2	147.4	470.4
2Q21	89.1	3.5	92.6	366.1	78.0	466.4

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

(Continued on next page)

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 item, 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)

	Twelve Months Ended				
	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>
Pre-tax operating earnings (a non-GAAP financial measure)	\$ 395.9	\$ 453.3	\$ 463.8	\$ 455.2	\$ 468.6
Income tax expense	(84.4)	(98.4)	(101.5)	(102.0)	(105.7)
Operating return	<u>311.5</u>	<u>354.9</u>	<u>362.3</u>	<u>353.2</u>	<u>362.9</u>
Non-operating items:					
Net realized investment gains (losses) from sales and impairments, net of related amortization	(46.9)	(36.6)	(31.1)	36.2	48.2
Net change in market value of investments recognized in earnings	(15.1)	(11.3)	(2.7)	39.3	13.8
Fair value changes in embedded derivative liabilities, net of related amortization	(109.7)	(82.0)	(79.1)	69.7	51.9
Fair value changes and amendment related to the agent deferred compensation plan	(16.7)	(10.7)	(16.3)	(3.1)	10.1
Other	(12.2)	(4.5)	9.7	8.0	8.9
Non-operating income (loss) before taxes	<u>(200.6)</u>	<u>(145.1)</u>	<u>(119.5)</u>	<u>150.1</u>	<u>132.9</u>
Income tax expense (benefit):					
On non-operating income (loss)	(42.2)	(30.5)	(25.0)	32.9	29.4
Valuation allowance for deferred tax assets and other tax items	(227.7)	(227.7)	(34.0)	-	-
Net non-operating income (loss)	<u>69.3</u>	<u>113.1</u>	<u>(60.5)</u>	<u>117.2</u>	<u>103.5</u>
Net income	<u>\$ 380.8</u>	<u>\$ 468.0</u>	<u>\$ 301.8</u>	<u>\$ 470.4</u>	<u>\$ 466.4</u>

(Continued on next page)

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)

	1Q18	2Q18	3Q18	4Q18
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	894.3	700.2	403.5	177.7
Common shareholders' equity	<u>\$4,617.2</u>	<u>\$4,454.9</u>	<u>\$3,619.9</u>	<u>\$3,370.9</u>
	1Q19	2Q19	3Q19	4Q19
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$2,703.4	\$2,702.9	\$2,685.0	\$2,761.9
Net operating loss carryforwards	479.6	451.1	425.4	542.6
Accumulated other comprehensive income	654.9	1,098.2	1,442.9	1,372.5
Common shareholders' equity	<u>\$3,837.9</u>	<u>\$4,252.2</u>	<u>\$4,553.3</u>	<u>\$4,677.0</u>
	1Q20	2Q20	3Q20	4Q20
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$2,701.2	\$2,784.2	\$2,905.1	\$2,956.2
Net operating loss carryforwards	469.4	426.8	377.2	341.9
Accumulated other comprehensive income	595.2	1,520.2	1,801.6	2,186.1
Common shareholders' equity	<u>\$3,765.8</u>	<u>\$4,731.2</u>	<u>\$5,083.9</u>	<u>\$5,484.2</u>
	1Q21	2Q21		
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$3,019.5	\$3,035.6		
Net operating loss carryforwards	323.1	292.9		
Accumulated other comprehensive income	1,518.1	1,995.5		
Common shareholders' equity	<u>\$4,860.7</u>	<u>\$5,324.0</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				
	2Q20	3Q20	4Q20	1Q21	2Q21
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,722.9	\$ 2,760.6	\$ 2,812.4	\$ 2,876.5	\$ 2,947.7
Net operating loss carryforwards	469.1	460.0	428.9	385.5	350.5
Accumulated other comprehensive income	1,180.0	1,277.6	1,424.1	1,641.1	1,815.9
Common shareholders' equity	<u>\$ 4,372.0</u>	<u>\$ 4,498.2</u>	<u>\$ 4,665.4</u>	<u>\$ 4,903.1</u>	<u>\$ 5,114.1</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)

	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Corporate notes payable	\$ 989.1	\$ 989.4	\$ 989.7	\$ 990.1	\$ 1,136.2	\$ 1,136.6	\$ 1,136.9
Total shareholders' equity	4,677.0	3,765.8	4,731.2	5,083.9	5,484.2	4,860.7	5,324.0
Total capital	<u>\$5,666.1</u>	<u>\$4,755.2</u>	<u>\$5,720.9</u>	<u>\$6,074.0</u>	<u>\$6,620.4</u>	<u>\$5,997.3</u>	<u>\$6,460.9</u>
Corporate debt to capital	<u>17.5%</u>	<u>20.8%</u>	<u>17.3%</u>	<u>16.3%</u>	<u>17.2%</u>	<u>19.0%</u>	<u>17.6%</u>
Corporate notes payable	\$ 989.1	\$ 989.4	\$ 989.7	\$ 990.1	\$ 1,136.2	\$ 1,136.6	\$ 1,136.9
Total shareholders' equity	4,677.0	3,765.8	4,731.2	5,083.9	5,484.2	4,860.7	5,324.0
Less accumulated other comprehensive income	(1,372.5)	(595.2)	(1,520.2)	(1,801.6)	(2,186.1)	(1,518.1)	(1,995.5)
Total capital	<u>\$4,293.6</u>	<u>\$4,160.0</u>	<u>\$4,200.7</u>	<u>\$4,272.4</u>	<u>\$4,434.3</u>	<u>\$4,479.2</u>	<u>\$4,465.4</u>
Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure)	<u>23.0%</u>	<u>23.8%</u>	<u>23.6%</u>	<u>23.2%</u>	<u>25.6%</u>	<u>25.4%</u>	<u>25.5%</u>