

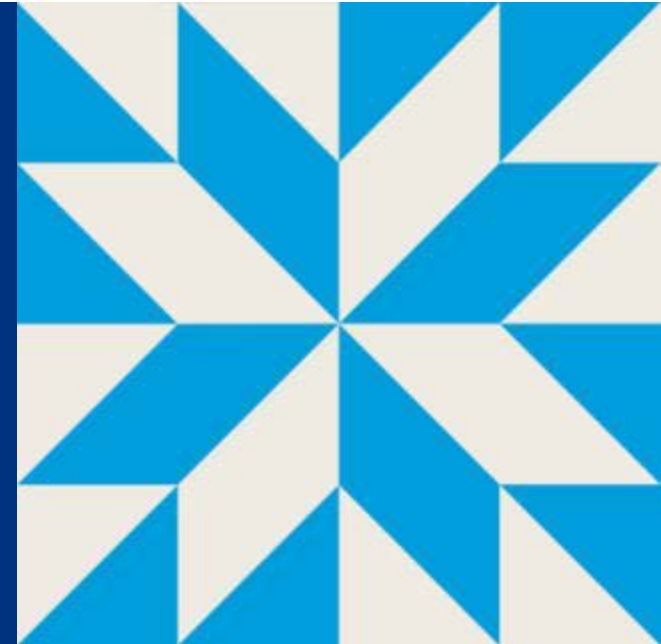


CNO FINANCIAL GROUP

# 3Q13

Financial and operating results for the period ended September 30, 2013

October 29, 2013



Unless otherwise specified, comparisons in this presentation are between 3Q13 and 3Q12.

# 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 October 28, 2013, 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), fair value changes in embedded derivative liabilities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, corporate interest expense, loss on extinguishment of debt 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).



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# 3Q13 Summary

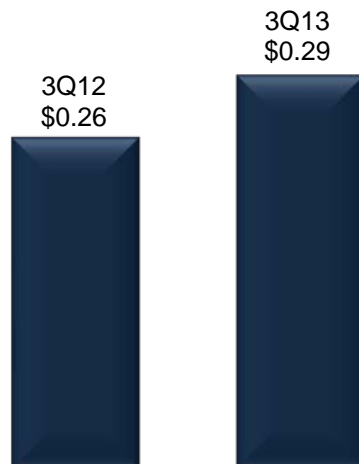
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- **Businesses continue to perform well; growth in**
  - Sales and premiums
  - Operating earnings per share
  
- **Accelerating investment in our business**
  - Expanding locations, geographies, and product offerings
  - Growing agent force and improving productivity
  - Improving operations platform and efficiencies
  
- **Returning value to shareholders while continuing on path to investment grade**
  - Deployed \$222mm for securities repurchases and \$18mm in dividends YTD 2013
  - RBC, liquidity and leverage remain strong

# Operating Earnings Per Share Building

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## Operating EPS Excluding Significant Items\*



## Earnings per Share Drivers

- Per share growth positively impacted by capital actions
- Premium growth continues in core business segments
- In aggregate, normalized earnings drivers performed as expected
- On track for 9% ROE run-rate by the end of 2015

Weighted Avg. Diluted Shares Outstanding (millions)	288.1**	229.3
Reported Operating EPS	\$0.11	\$0.33
Operating Earnings Excluding Significant Items* (millions)	\$69.9	\$67.3

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

\*\* In the third quarter of 2012, equivalent common shares of 56.7 million related to all common stock equivalents were not included in the reported diluted weighted average shares outstanding because their inclusion would have been antidilutive due to the net loss recognized in the period. In this calculation, such common stock equivalents are considered dilutive.

# Investments in the Business Driving Growth CNO

(\$ millions)

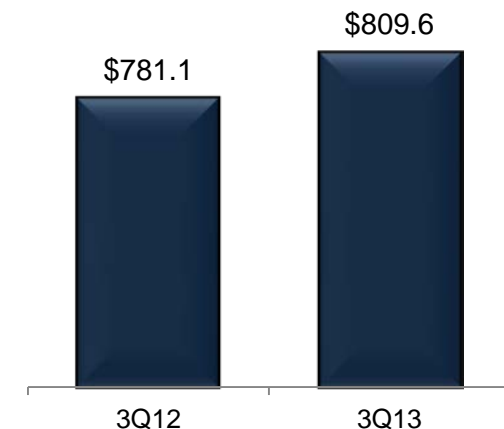
Sales up 8% and Collected Premiums in Core Segments\* up 4%

- Investing in productivity and growth of the agent force
- Expanding presence by adding new locations and geographies
- Developing and launching new products to meet the needs of our target market
- Driving operational efficiencies and enhancing the customer experience

NAP



Collected Premiums\*



\* Represents collected premiums from 3 core segments - Bankers Life, Washington National and Colonial Penn

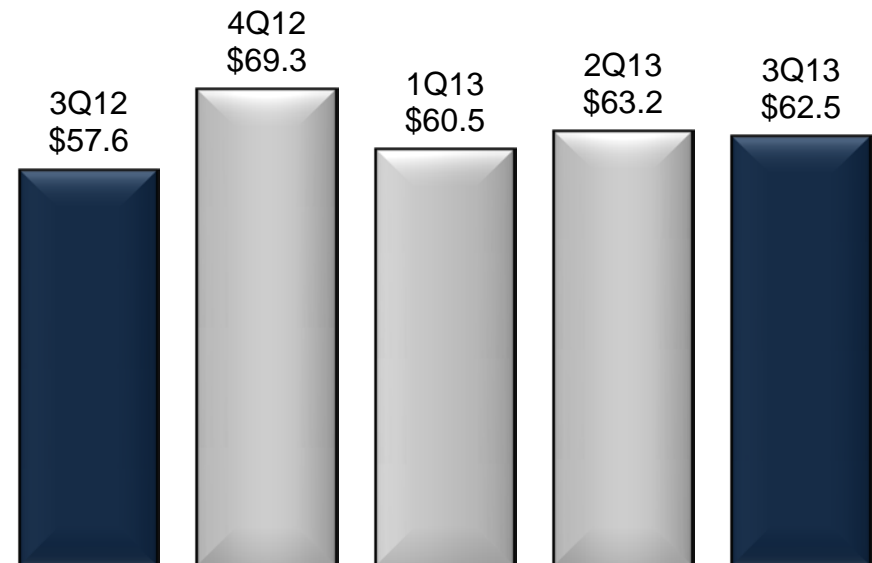
# 3Q13 Sales and Distribution Results

# Bankers Life

(\$ millions)

- Sales up 9%
  - Life sales up 24%
  - Annuity sales improved, up 11%
  - Health sales down 3%
    - Driven primarily by declines in LTC partially offset by critical illness sales
    - Continued strength in MA business\*
  
- Collected premiums up 3%
  
- Added 10 net locations in 3Q
  - 295 total locations
  
- Average agent force up 4% YTD

## Quarterly NAP\*



Trailing 4-Quarters NAP	\$245.7	\$245.2	\$246.9	\$250.6	\$255.5
Critical Illness NAP	\$1.8	\$2.4	\$2.8	\$2.7	\$2.6
Collected Premiums	\$580.3	\$606.7	\$590.2	\$599.4	\$600.3

Med Advantage Policies Issued*	1,168	719	11,042	2,302	1,729
Med Advantage Fee Income, Net*	\$1.8	\$1.7	\$2.4	\$2.2	\$2.9



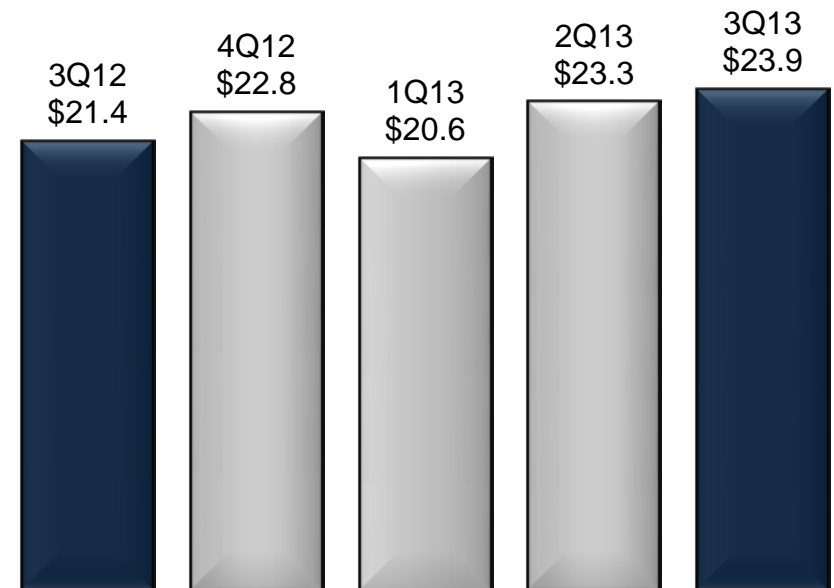
# 3Q13 Sales and Distribution Results

(\$ millions)

- Sales up 12%
  - PMA up 10%
  - Independent Partners up 18%
  
- Collected premiums\* up 7%
  
- Growth in agent force
  - PMA producing agents\*\* up 6%

## Washington National

### Quarterly NAP



Trailing 4-Quarters NAP	\$84.8	\$86.4	\$87.1	\$88.1	\$90.6
Collected Premiums*	\$118.2	\$121.0	\$124.5	\$126.0	\$126.5

\* Collected premiums excludes Medicare supplement premiums

\*\* Total producing agents includes appointed agents with \$1000 or more of NAP in the prior 12 months

# 3Q13 Sales and Distribution Results

(\$ millions)

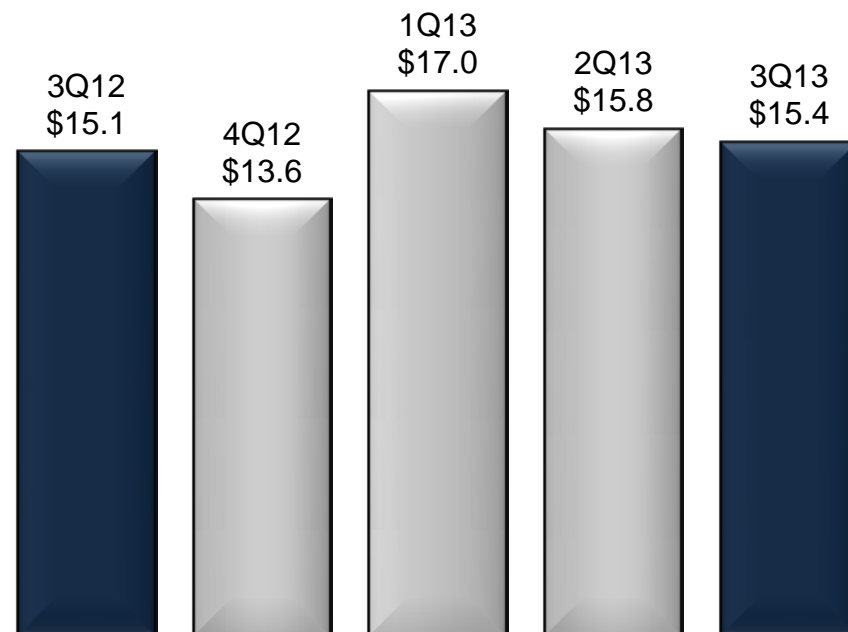
Colonial Penn

- Sales up 2%

- Increased marketing drove 6% growth in August and September combined
- Positive momentum continuing into 4Q13
- Sales results in line with seasonal patterns

- Collected premiums up 8% reflecting growth in inforce

Quarterly NAP



Trailing 4-Quarters NAP	\$60.5	\$61.8	\$61.3	\$61.5	\$61.8
Collected Premiums	\$54.2	\$55.0	\$57.2	\$57.4	\$58.6

# Outlook

*Building enterprise value through continued investment and execution, expected to deliver 8-10% sales growth*



- New sales locations will continue to contribute to sales growth as start-up offices ramp up to full productivity
- Continued strength in life insurance sales backed by new products, cross sell initiatives, and more focused agent training
- Medicare annual open enrollment off to a strong start boosted by increase in MA certified agents and opportunities created by healthcare reform



- Expect continued sales growth at PMA with enhanced recruiting support and geographic expansion
- Enhancing the product portfolio with “next generation” supplemental health insurance and worksite life insurance products
- Well positioned for voluntary worksite group enrollments



- Projecting accelerated sales growth in 4Q13, benefiting from increased marketing investments in late 3Q and early 4Q
- Launching enhanced bilingual (English/Spanish) direct mail efforts in 4Q13
- Further progress on web & new digital lead strategies

## ▪ Earnings

- Solid results across all segments
- In aggregate, core earnings drivers performed as expected
- FAS 97 (interest sensitive products) assumptions reviewed with no significant adjustments
- EPS benefiting from 20% decrease in weighted average diluted shares

## ▪ Capital & Liquidity

- Strong consolidated RBC ratio and leverage
- Favorable General Account results
- Deployable capital of ~\$140mm at the holding company
- Favorable tax benefits recognized in the quarter

## ▪ Capital Deployment

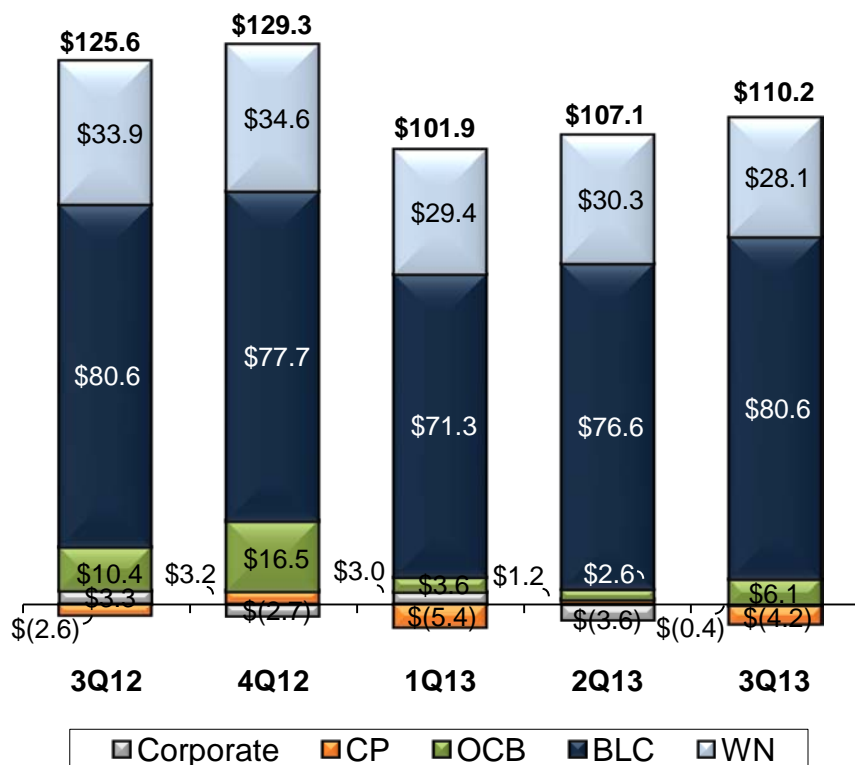
- Repurchased \$37.3mm of securities
- Paid \$6.7mm in common stock dividends
- Paid down \$12.5mm of debt

# Segment Earnings

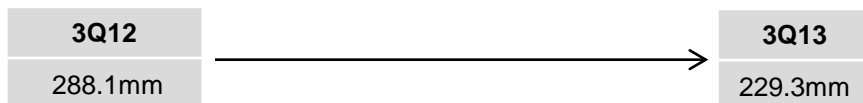
(\$ millions)

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## Segment EBIT Excluding Significant Items\*



## Weighted Average Diluted Shares Outstanding



## 3Q13 Notable Items

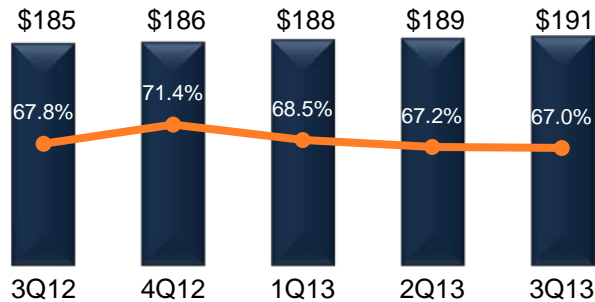
- Solid performance across all segments
- Annuity & life margins remain strong
- Health margins mixed with strength in Medicare supplement offset by LTC and supplemental health
- Colonial Penn results reflect planned investment in growth
- Favorable OCB margins and Corporate investment results

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

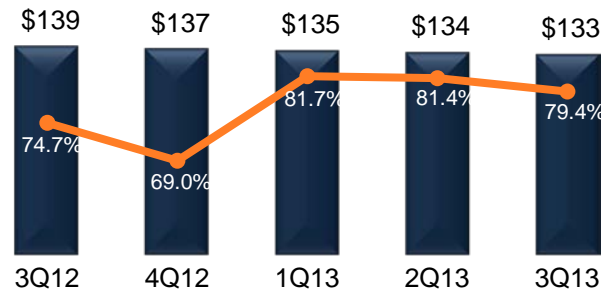
# Health Margins

(\$ millions)

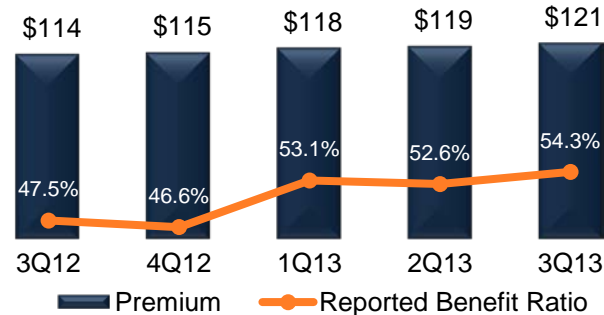
## Bankers Life Medicare Supplement



## Bankers Life Long Term Care Interest-Adjusted\*



## Washington National Supplemental Health Interest-Adjusted\*



## 3Q13 Highlights

- Bankers Medicare supplement benefited from a favorable reserve adjustment, positive claims trends and persistency

**Normalized 70%**

- Bankers LTC premium decline reflects a shift towards limited benefit product. Margin adversely impacted by increased persistency

**Normalized 79%**

- Washington National premium reflects growth in new business. Benefit ratio reflects a slowing of conversion activity on certain return of premium policies

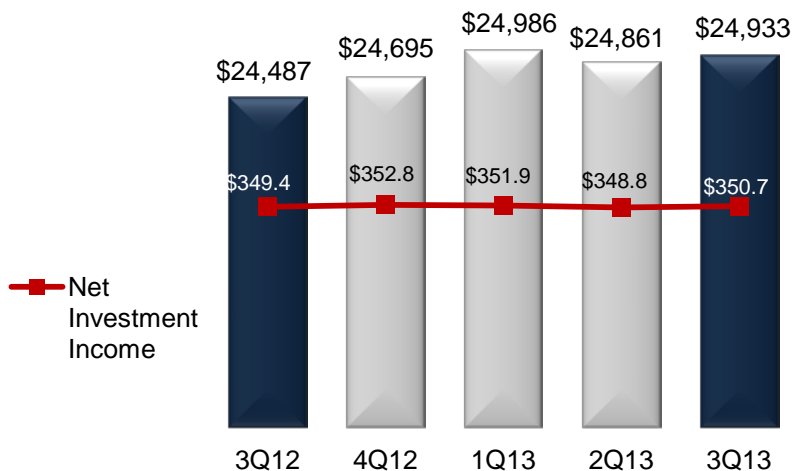
**Normalized 54%**

# Summary of Investment Results

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(\$ millions)

## Average Invested Assets



New Money Rate:	4.71%	4.79%	5.09%	5.13%	4.93%
Earned Yield*:	5.90%	5.90%	5.89%	5.88%	5.86%
Pre-Pay / Call / Make-whole Income:	\$7.4	\$10.0	\$7.1	\$1.7	\$4.3

## Realized Gains, Losses and Impairments



- 3Q new money rate reflects tactical investment strategy, marginally focusing on specialized credit (CRE, municipal) and away from long duration
- Stable investment income reflects growth in assets offset by modest decline in portfolio yield

- Realized gains and losses remain low in absolute terms, reflecting emphasis on limiting portfolio turnover
- Slight 3Q increase driven by proactive reduction to selected single name exposures

\* Earned Yield excludes floating rate FHLB

\*\* 3Q12 impairments primarily associated with two private company investments received through the commutation of an investment made by our predecessor in a guaranteed investment contract.

# Capital Position

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(\$ millions)

## ■ Insurance Company Capitalization

– RBC of 392% reflects:

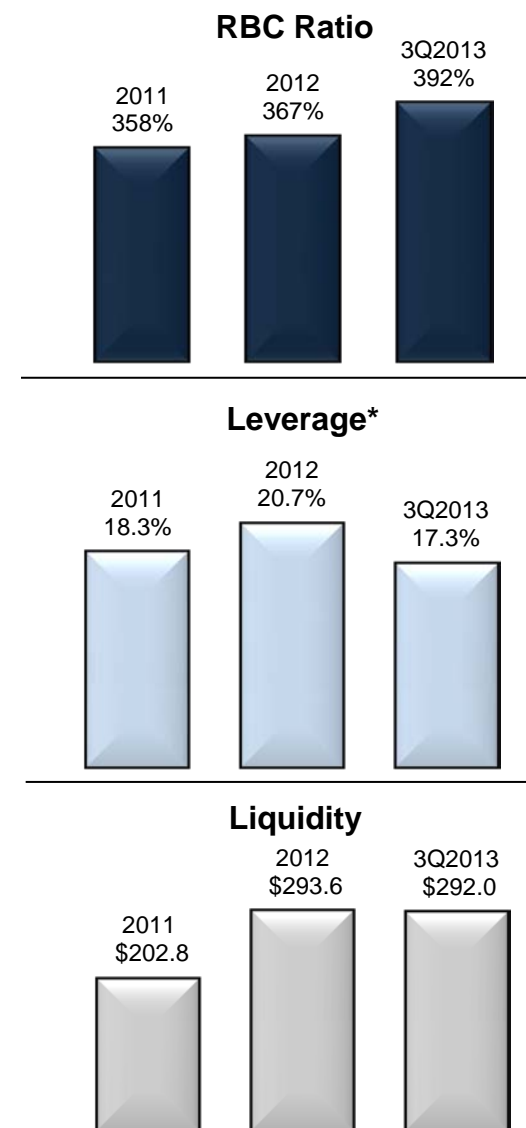
- YTD statutory operating income of \$296mm
- YTD statutory dividends of \$203mm
- Reduction in required capital supporting CRE

## ■ GAAP Leverage

- Repurchase and conversion of convertible debentures
- YTD senior debt paid-down and amortization of \$51mm
- Favorable tax items drive book value growth

## ■ Liquidity & Excess Capital

- \$292mm of holding company liquidity and investments
- Approximately \$140mm of deployable capital





# 3Q13 Capital Generation and Deployment

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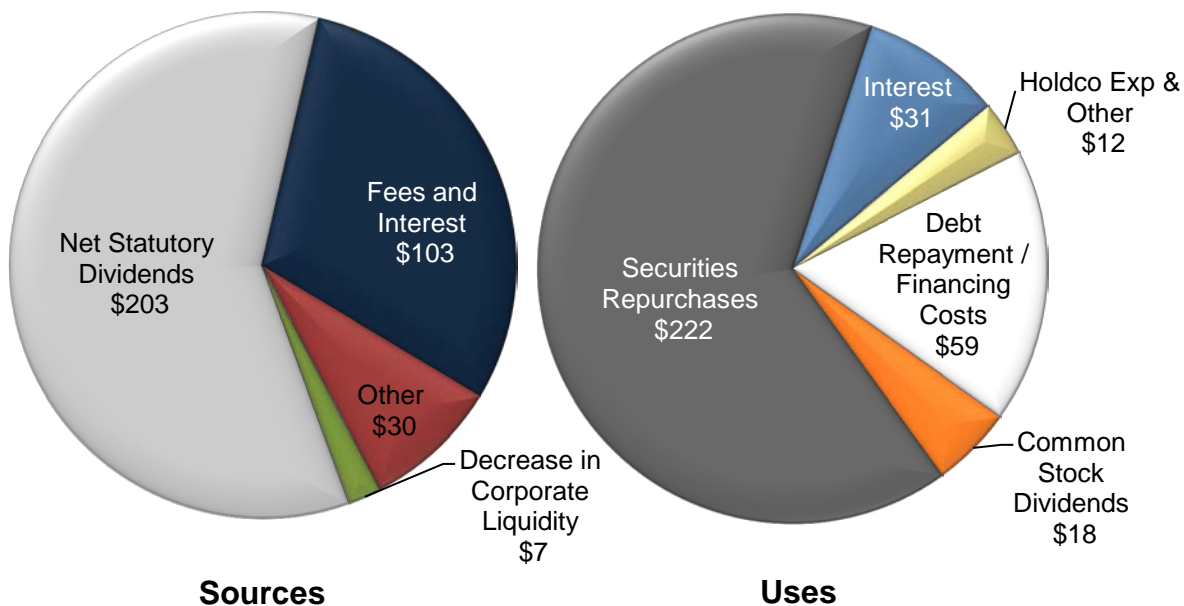
(\$ in millions)

## LTM 3Q13 Capital Generation



LTM 3Q13

## 3Q YTD Sources and Uses



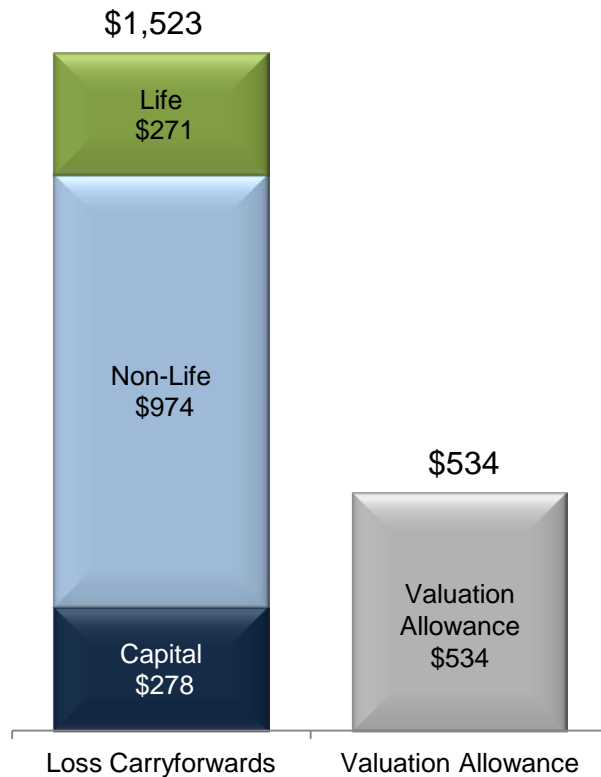
## Highlights

- Generated over \$500mm of capital over the last twelve months
- Deployed over \$340mm of capital YTD 2013; including \$222mm of securities repurchases
- \$292mm of liquidity remains at corporate; ~\$140mm of which is deployable

# Loss Carryforwards and 3Q13 Tax Items

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## Loss Carryforwards



## 3Q13 Tax Items (\$ in millions)

### Valuation allowance adjustments

- Resolution of CODI allocation issue\* \$ 72
- Assumption for future earnings\*\* 115
- Impact of 2013 earnings 13

### Other Items

7

Total favorable tax items

\$ 207

\* Issue regarding the allocation of cancellation of indebtedness income between life and non-life NOLs. See the Form 10-Q for additional information.

\*\* GAAP valuation assumes 3% growth in taxable income for the next 5 years. GAAP values are not discounted.

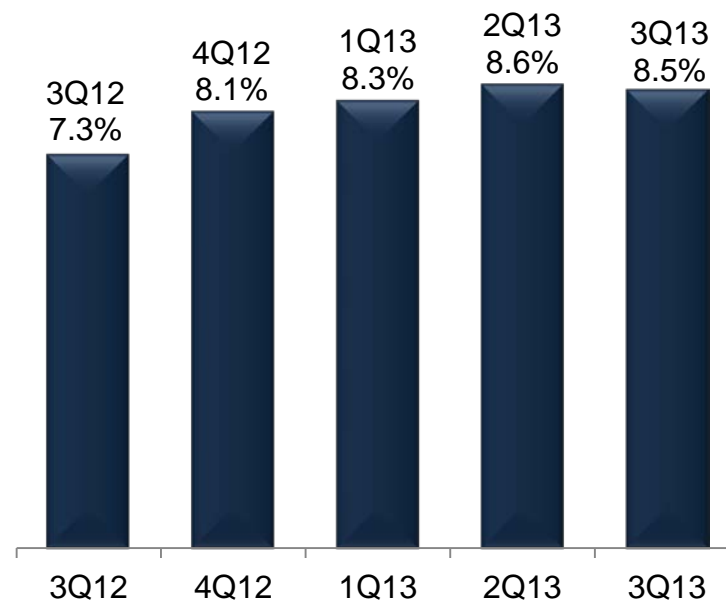
# ROE Progression

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## Notable Items

- Calculated on a trailing 4 quarter basis and excluding AOCI and NOLs
- Normalized removes significant earnings items identified each quarter
- 3Q2012 operating ROE includes litigation and interest rate charges
- 2013 benefiting from capital actions and net favorable earnings performance

## Normalized Operating ROE\*



Operating ROE*	3Q12	4Q12	1Q13	2Q13	3Q13
Operating ROE*	5.7%	6.0%	6.3%	6.8%	8.4%

\* A non-GAAP measure. Refer to the Appendix for a reconciliation to the corresponding GAAP measure

- **Core Earnings:**

- Expect no material change in normalized health benefit ratios
- Expect continued strong annuity income and spreads
- Colonial Penn: no change to annual guidance of \$(5)mm to \$(10)mm EBIT loss
- OCB: no change to annual guidance of \$5mm to \$20mm EBIT
- Increased pace of investment expected to elevate 4Q expenses

- **Capital Conditions:**

- Expect continued strength in capital generation with stable free cash flow
- Expect RBC build to moderate and leverage to decline in-line with scheduled debt amortization
- No change in securities repurchase guidance of \$250 to \$300 million

- **2013 Loss Recognition and Cash Flow Testing:**

- Fourth quarter process with results disclosed as part of year-end reporting

## 2015 Milestones

- Invest \$80-\$85mm in strategic business initiatives
- Accelerate run-on and run-off
- Enhance customer experience and operational efficiency
- ROE run-rate of 9%
- Drive to investment grade
- Target dividend payout ratio of 20%

*CNO to host an outlook call 3<sup>rd</sup> week in December*

# Questions and Answers

# Appendix

# 3Q12 Significant Items

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The table below summarizes the financial impact of significant items on our 3Q2012 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 September 30, 2012		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 80.6	\$ -	\$ 80.6
Washington National	33.9	-	33.9
Colonial Penn	(2.6)	-	(2.6)
Other CNO Business	<u>(53.6)</u>	<u>64.0</u> (1)	<u>10.4</u>
EBIT from business segments	58.3	64.0	122.3
Corporate Operations, excluding corporate interest expense	<u>(6.7)</u>	<u>10.0</u> (2)	<u>3.3</u>
EBIT	51.6	74.0	125.6
Corporate interest expense	<u>(16.3)</u>	<u>-</u>	<u>(16.3)</u>
Operating earnings before tax	35.3	74.0	109.3
Tax expense on operating income	<u>9.7</u>	<u>29.7</u>	<u>39.4</u>
Net operating income *	<u>\$ 25.6</u>	<u>\$ 44.3</u>	<u>\$ 69.9</u>
Net operating income per diluted share*	<u>\$ 0.11</u> **	<u>\$ 0.15</u>	<u>\$ 0.26</u>

(1) Pre-tax earnings in the Other CNO Business segment included a charge of \$43.0 million reflecting the impact of decreased projected future investment yield assumptions related to interest-sensitive insurance products and \$21.0 million related to a tentative litigation settlement.

(2) Pre-tax earnings in the Corporate segment included charges of \$10.0 million related to the impact of lower interest rates on the values of liabilities for agent deferred compensation and former executive retirement annuities.

\* A non-GAAP measure. See pages 29 and 36 for a reconciliation to the corresponding GAAP measure.

\*\* In the third quarter of 2012, equivalent common shares of 56,651 related to all common stock equivalents were not included in the diluted weighted average shares outstanding because their inclusion would have been antidilutive due to the net loss recognized in the period.



# 4Q12 Significant Items

CNO

The table below summarizes the financial impact of significant items on our 4Q2012 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, 2012		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 73.7	\$ 4.0 (1)	\$ 77.7
Washington National	34.6	-	34.6
Colonial Penn	3.2	-	3.2
Other CNO Business	<u>5.2</u>	<u>11.3</u> (2)	<u>16.5</u>
EBIT from business segments	116.7	15.3	132.0
Corporate Operations, excluding corporate interest expense	<u>(2.7)</u>	<u>-</u>	<u>(2.7)</u>
EBIT	114.0	15.3	129.3
Corporate interest expense	<u>(15.8)</u>	<u>-</u>	<u>(15.8)</u>
Operating earnings before tax	98.2	15.3	113.5
Tax expense on operating income	<u>38.2</u>	<u>2.7</u>	<u>40.9</u>
Net operating income *	<u>\$ 60.0</u>	<u>\$ 12.6</u>	<u>\$ 72.6</u>

(1) Pre-tax earnings in the Bankers Life segment included charges of \$8.0 million related to litigation expense; and earnings of \$4.0 million related to the release of long-term care reserves due to policyholder actions following recent rate increases.

(2) Pre-tax earnings in the Other CNO Business segment included charges of \$6.0 million from out-of-period adjustments and a \$5.3 million charge for litigation expense in the Company's subsidiary, Consec Life Insurance Company.

\* A non-GAAP measure. See page 29 for a reconciliation to the corresponding GAAP measure.

# 1Q13 Significant Items

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The table below summarizes the financial impact of the significant item on our 1Q2013 net operating income. Management believes that identifying the impact of this item enhances the understanding of our operating results (dollars in millions).

	Three months ended March 31, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 62.1	\$ 9.2 (1)	\$ 71.3
Washington National	29.4	-	29.4
Colonial Penn	(5.4)	-	(5.4)
Other CNO Business	<u>3.6</u>	<u>-</u>	<u>3.6</u>
EBIT from business segments	89.7	9.2	98.9
Corporate Operations, excluding corporate interest expense	<u>3.0</u>	<u>-</u>	<u>3.0</u>
EBIT	92.7	9.2	101.9
Corporate interest expense	<u>(15.1)</u>	<u>-</u>	<u>(15.1)</u>
Operating earnings before tax	77.6	9.2	86.8
Tax expense on operating income	<u>27.9</u>	<u>3.2</u>	<u>31.1</u>
Net operating income *	<u>\$ 49.7</u>	<u>\$ 6.0</u>	<u>\$ 55.7</u>

(1) Pre-tax earnings in the Bankers Life segment included charges of \$9.2 million related to an out-of-period adjustment related to the long-term care block.

\* A non-GAAP measure. See page 29 for a reconciliation to the corresponding GAAP measure.

# 2Q13 Significant Items

CNO

The table below summarizes the financial impact of the significant items on our 2Q2013 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		
	June 30, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 79.1	\$ (2.5) (1)	\$ 76.6
Washington National	31.8	(1.5) (2)	30.3
Colonial Penn	1.2	-	1.2
Other CNO Business	<u>2.6</u>	<u>-</u>	<u>2.6</u>
EBIT from business segments	114.7	(4.0)	110.7
Corporate Operations, excluding corporate interest expense	<u>2.4</u>	<u>(6.0) (3)</u>	<u>(3.6)</u>
EBIT	117.1	(10.0)	107.1
Corporate interest expense	<u>(13.1)</u>	<u>-</u>	<u>(13.1)</u>
Operating earnings before tax	104.0	(10.0)	94.0
Tax expense on operating income	<u>36.3</u>	<u>(3.5)</u>	<u>32.8</u>
Net operating income *	<u>\$ 67.7</u>	<u>\$ (6.5)</u>	<u>\$ 61.2</u>

(1) Pre-tax earnings in the Bankers Life segment included: (i) approximately \$6.5mm of favorable reserve developments in the Medicare supplement block; partially offset by (ii) refinements to the methodologies used to calculate health product reserves (primarily long-term care) of approximately \$4.0mm.

(2) Pre-tax earnings in the Washington National segment included approximately \$1.5mm of favorable reserve developments in the Medicare supplement block.

(3) Pre-tax earnings in the Corporate segment included a reduction in expenses of \$6mm related to the impact of higher interest rates on the values of liabilities for agent deferred compensation and former executive retirement annuities.

\* A non-GAAP measure. See page 29 for a reconciliation to the corresponding GAAP measure.

# 3Q13 Significant Items

CNO

The table below summarizes the financial impact of significant items on our 3Q2013 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 September 30, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 86.3	\$ (5.7) (1)	\$ 80.6
Washington National	28.1	-	28.1
Colonial Penn	(4.2)	-	(4.2)
Other CNO Business	<u>6.1</u>	<u>-</u>	<u>6.1</u>
EBIT from business segments	116.3	(5.7)	110.6
Corporate Operations, excluding corporate interest expense	<u>9.4</u>	<u>(9.8) (2)</u>	<u>(0.4)</u>
EBIT	125.7	(15.5)	110.2
Corporate interest expense	<u>(11.7)</u>	<u>-</u>	<u>(11.7)</u>
Operating earnings before tax	114.0	(15.5)	98.5
Tax expense on operating income	<u>36.8</u>	<u>(5.6)</u>	<u>31.2</u>
Net operating income *	<u>\$ 77.2</u>	<u>\$ (9.9)</u>	<u>\$ 67.3</u>
Net operating income per diluted share*	<u>\$ 0.33</u>	<u>\$ (0.04)</u>	<u>\$ 0.29</u>

(1) Pre-tax earnings in the Bankers Life segment included \$5.7 million of favorable reserve developments in the Medicare supplement block.

(2) Pre-tax earnings in the Corporate segment included a \$9.8 million reduction in net expenses related to the impact of higher interest rates on the values of liabilities for agent deferred compensation and former executive retirement annuities.

\* A non-GAAP measure. See pages 29 and 36 for a reconciliation to the corresponding GAAP measure.

# Quarterly Earnings

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(\$ millions)

	<u>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Bankers Life	\$ 80.6	\$ 73.7	\$ 62.1	\$ 79.1	\$ 86.3
Washington National	33.9	34.6	29.4	31.8	28.1
Colonial Penn	(2.6)	3.2	(5.4)	1.2	(4.2)
Other CNO Business	<u>(53.6)</u>	<u>5.2</u>	<u>3.6</u>	<u>2.6</u>	<u>6.1</u>
EBIT* from business segments	58.3	116.7	89.7	114.7	116.3
Corporate operations, excluding interest expense	<u>(6.7)</u>	<u>(2.7)</u>	<u>3.0</u>	<u>2.4</u>	<u>9.4</u>
Total EBIT	51.6	114.0	92.7	117.1	125.7
Corporate interest expense	<u>(16.3)</u>	<u>(15.8)</u>	<u>(15.1)</u>	<u>(13.1)</u>	<u>(11.7)</u>
Income before net realized investment gains, fair value changes in embedded derivative liabilities and taxes	35.3	98.2	77.6	104.0	114.0
Tax expense on period income	<u>9.7</u>	<u>38.2</u>	<u>27.9</u>	<u>36.3</u>	<u>36.8</u>
Net operating income	25.6	60.0	49.7	67.7	77.2
Net realized investment gains (losses)	4.8	10.8	9.4	1.8	(0.1)
Fair value changes in embedded derivative liabilities	(2.0)	2.6	1.3	12.1	2.2
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests	-	-	(1.8)	(2.7)	(3.0)
Loss on extinguishment of debt, net of income taxes	<u>(176.4)</u>	<u>(0.7)</u>	<u>(57.2)</u>	<u>(6.8)</u>	<u>-</u>
Net income (loss) before valuation allowance for deferred tax assets and other tax items	(148.0)	72.7	1.4	72.1	76.3
Valuation allowance for deferred tax assets and other tax items	<u>143.0</u>	<u>28.5</u>	<u>10.5</u>	<u>5.0</u>	<u>206.7</u>
Net income (loss)	<u>\$ (5.0)</u>	<u>\$ 101.2</u>	<u>\$ 11.9</u>	<u>\$ 77.1</u>	<u>\$ 283.0</u>

\*Management believes that an analysis of earnings before net realized investment gains (losses), fair value changes in embedded derivative liabilities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, corporate interest expense, loss on extinguishment of debt and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (1) corporate interest expense; (2) loss on extinguishment of debt; (3) net realized investment gains (losses); (4) equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests; and (5) 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. The table above provides a reconciliation of EBIT to net income.

# Loss Recognition & Cash Flow Testing

CNO

## 2012 GAAP Loss Recognition Testing

- Aggregate testing margins remain strong
- Testing margin Increased in 2012
  - ↑ - ASU 2010-26
  - ↑ - Net Growth from New Business (+6%)
  - ↓ - Lower interest rates projected (-8%)
  - ↓ - Legal Settlements (-2%)
- All intangibles are recoverable

## 2012 Statutory Cash Flow Testing

- Insurance Company margins consistent with prior years
- All insurance entities pass Asset Adequacy / Cash Flow Testing under all standard scenarios
- Interest rate scenarios re-affirm strong asset liability management
- Year-end testing resulted in less than \$5 million of additional asset adequacy reserves

Line of Business	Aggregate Margin	Principal Risks to Margin
Traditional life and Universal life (Bankers)	+++	Unusually high mortality
Medicare supplement and supplemental health	+++	Unusually high morbidity
Long term care	Positive but vulnerable	Low interest rates; High morbidity; Low policy termination
Interest sensitive life (OCB)	Positive but vulnerable	Low interest rates; Litigation
Interest sensitive annuities	++	Decrease in spread; Investment volatility
Annuities in payout	+	Low mortality; Low interest rates

# 3Q13 Holding Company Liquidity

CNO

(\$ millions)

	<u>3Q13</u>	<u>YTD</u>
<b>Cash and Investments Balance - Beginning</b>	\$229.7	\$293.6
<b>Sources</b>		
Dividends from Insurance Subsidiaries	64.0	202.5
Dividends from Non-insurance Subsidiaries	-	6.1
Interest/Earnings on Corporate Investments	3.8	13.9
Surplus Debenture Interest	26.9	51.0
Service and Investment Fees, Net	27.3	51.7
Other	1.8	9.9
Total Sources	<u>123.8</u>	<u>335.1</u>
<b>Uses</b>		
Interest	5.5	30.7
Tender Offer	-	125.9
Convertible Repurchase	-	9.5
Share Repurchase	37.3	87.3
Debt Payments	12.5	50.6
Common Stock Dividend	6.7	17.7
Financing Costs	0.4	8.7
Holding Company Expenses and Other	2.1	11.9
Total Uses	<u>64.5</u>	<u>342.3</u>
<b>Non-cash changes in investment balances</b>	3.0	5.6
<b>Unrestricted Cash and Investments Balance - 9/30/2013</b>	<u>\$292.0</u>	<u>\$292.0</u>

# Returning Capital to our Shareholders

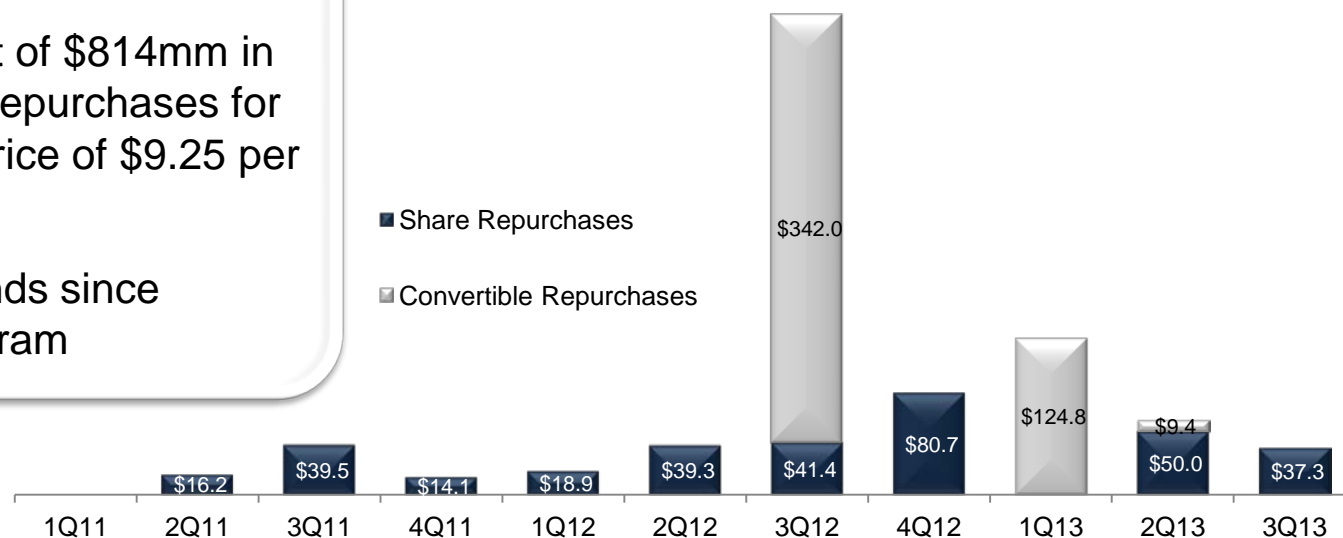
CNO

## Highlights

- Since initiating the share buyback program, repurchased equivalent of 88 million shares, leading to a 29%\* reduction in weighted average diluted shares outstanding
- Cumulative investment of \$814mm in stock and convertible repurchases for an effective average price of \$9.25 per share
- Paid \$32mm in dividends since initiating dividend program

## Total Securities Repurchases by Quarter

(\$ in millions)



Common Stock Dividends

1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
\$ -	\$ -	\$ -	\$ -	\$ -	\$4.7	\$4.7	\$4.5	\$4.4	\$6.6	\$6.7

Weighted Average Diluted Shares Outstanding

307.5mm → 229.3mm

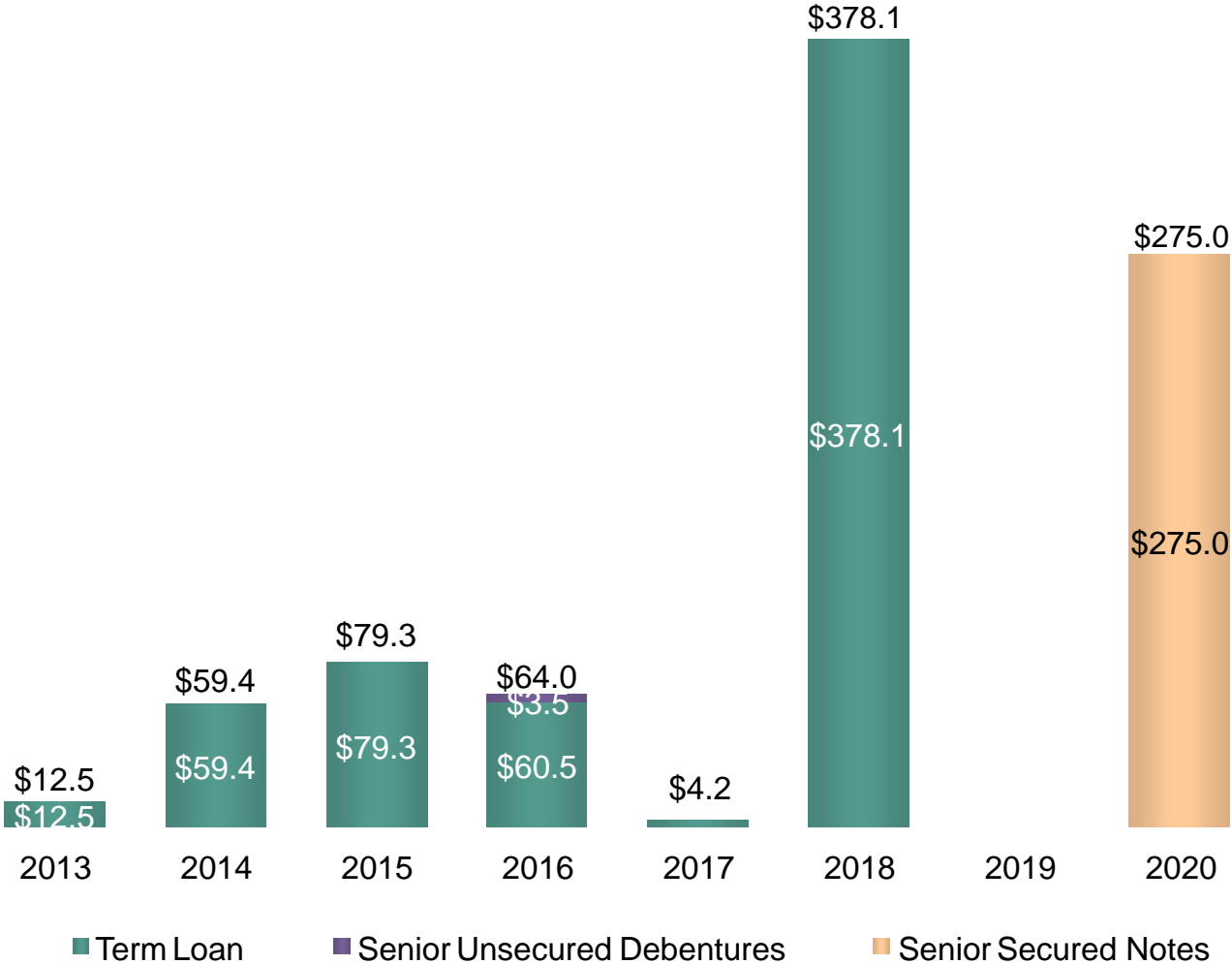
\* Calculated using 88 million shares as a percentage of 1Q11 weighted average diluted shares outstanding



# Debt Maturity Profile

CNO

(\$ millions)



# Holding Company Investments at 9/30/13

CNO

(\$ millions)

## Investment Performance

	3Q13	YTD
Cash & Money Market	0.04%	0.13%
Fixed Income	1.41%	-0.46%
Equities	4.35%	19.29%
Alternatives	3.58%	5.65%

## Investment Allocation



Portfolio strategy is to prioritize liquidity for corporate capital needs, while balanced allocation generates consistent returns utilizing non-life tax benefits

## 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 loss on extinguishment of debt, net realized gains or losses, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests and increases or decreases to our valuation allowance for deferred tax assets ("net operating income," a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because these items are unrelated to the Company's continuing operations.

# 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>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
<b>Net income (loss) applicable to common stock</b>	\$ (5.0)	\$ 101.2	\$ 11.9	\$ 77.1	\$ 283.0
Net realized investment (gains) losses, net of related amortization and taxes	(4.8)	(10.8)	(9.4)	(1.8)	0.1
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	2.0	(2.6)	(1.3)	(12.1)	(2.2)
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests	-	-	1.8	2.7	3.0
Valuation allowance for deferred tax assets	(143.0)	(28.5)	(10.5)	(5.0)	(206.7)
Loss on extinguishment of debt	176.4	0.7	57.2	6.8	-
<b>Net operating income (a non-GAAP financial measure)</b>	<u>\$ 25.6</u>	<u>\$ 60.0</u>	<u>\$ 49.7</u>	<u>\$ 67.7</u>	<u>\$ 77.2</u>
<b>Per diluted share:</b>					
<b>Net income (loss)</b>	\$ (0.02)	\$ 0.41	\$ 0.05	\$ 0.34	\$ 1.23
Net realized investment (gains) losses, net of related amortization and taxes	(0.02)	(0.04)	(0.04)	(0.01)	-
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	0.01	(0.01)	(0.01)	(0.05)	(0.01)
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests	-	-	0.01	0.01	0.01
Valuation allowance for deferred tax assets	(0.62)	(0.11)	(0.04)	(0.02)	(0.90)
Loss on extinguishment of debt	0.76	-	0.24	0.03	-
<b>Net operating income (a non-GAAP financial measure)</b>	<u>\$ 0.11</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 0.30</u>	<u>\$ 0.33</u>

## 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>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Operating income	\$ 25.6	\$ 60.0	\$ 49.7	\$ 67.7	\$ 77.2
Add: interest expense on 7.0% Convertible Senior Debentures due 2016, net of income taxes	<u>-</u>	<u>1.2</u>	<u>1.2</u>	<u>0.4</u>	<u>-</u>
Total adjusted operating income	<u>\$ 25.6</u>	<u>\$ 61.2</u>	<u>\$ 50.9</u>	<u>\$ 68.1</u>	<u>\$ 77.2</u>
Weighted average shares outstanding for basic earnings per share	231,481	225,074	222,081	220,498	222,876
Effect of dilutive securities on weighted average shares:					
7% Debentures	-	17,039	16,590	5,692	839
Stock options, restricted stock and performance units	-	3,133	2,829	2,412	2,858
Warrants	<u>-</u>	<u>1,515</u>	<u>1,967</u>	<u>2,291</u>	<u>2,774</u>
Weighted average shares outstanding for diluted earnings per share	<u>231,481 (a)</u>	<u>246,761</u>	<u>243,467</u>	<u>230,893</u>	<u>229,347</u>
Operating earnings per diluted share	<u>\$ 0.11</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 0.30</u>	<u>\$ 0.34</u>

(a) In the third quarter of 2012, equivalent common shares of 56,651 related to all common stock equivalents were not included in the diluted weighted average shares outstanding because their inclusion would have been antidilutive due to the net loss recognized in the period.

## 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 and warrants were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, warrants, 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 and warrants (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. The dilution from convertible securities is calculated assuming the securities were converted 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>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Total shareholders' equity	\$ 5,066.2	\$ 5,049.3	\$ 5,028.6	\$ 4,581.4	\$ 4,786.6
Shares outstanding for the period	229,506,690	221,502,371	223,502,106	219,378,666	222,007,214
Book value per share	\$ 22.07	\$ 22.80	\$ 22.50	\$ 20.88	\$ 21.56
Total shareholders' equity	\$ 5,066.2	\$ 5,049.3	\$ 5,028.6	\$ 4,581.4	\$ 4,786.6
Less accumulated other comprehensive income	(1,234.4)	(1,197.4)	(1,170.7)	(698.1)	(634.0)
Add carrying value of convertible debentures	89.4	89.6	32.7	28.4	-
Adjusted shareholders' equity excluding AOCI	\$ 3,921.2	\$ 3,941.5	\$ 3,890.6	\$ 3,911.7	\$ 4,152.6
Shares outstanding for the period	229,506,690	221,502,371	223,502,106	219,378,666	222,007,214
Dilutive common stock equivalents related to:					
Convertible debentures	17,028,151	17,038,882	6,197,661	5,383,774	-
Warrants, stock options, restricted stock and performance units	4,284,726	4,647,584	5,165,321	5,165,919	5,686,148
Diluted shares outstanding	250,819,567	243,188,837	234,865,088	229,928,359	227,693,362
Book value per diluted share (a non-GAAP financial measure)	\$ 15.63	\$ 16.21	\$ 16.57	\$ 17.01	\$ 18.24

# 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.

	<u>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
<b>Bankers Life</b>					
<b>Long-term care benefit ratios</b>					
Earned premium	\$ 138.5	\$ 136.7	\$ 135.3	\$ 134.1	\$ 132.6
Benefit ratio before imputed interest income on reserves	121.4%	116.7%	129.4%	129.5%	128.4%
Interest-adjusted benefit ratio	74.7%	69.0%	81.7%	81.4%	79.4%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 35.0	\$ 42.3	\$ 24.8	\$ 25.0	\$ 27.3
<b>Washington National</b>					
<b>Supplemental health benefit ratios</b>					
Earned premium	\$ 114.0	\$ 115.1	\$ 117.8	\$ 119.0	\$ 121.1
Benefit ratio before imputed interest income on reserves	74.2%	72.9%	79.3%	78.6%	80.8%
Interest-adjusted benefit ratio	47.5%	46.6%	53.1%	52.6%	54.3%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 59.8	\$ 61.4	\$ 55.3	\$ 56.4	\$ 55.4

# Information Related to Certain Non-GAAP Financial Measures

## Operating return measures

Management believes that an analysis of return before loss on extinguishment of debt, net realized gains or losses, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests and increases or decreases to our valuation allowance for deferred tax assets (“net operating income,” a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because these items are unrelated to the Company’s continued operations.

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.

All references to return on allocated capital measures assume a capital allocation based on a 275% targeted risk-based capital at the segment level. Additionally, corporate debt has been allocated to the segments.



## Information Related to Certain Non-GAAP Financial Measures

The calculations of: (i) operating return on allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); and (ii) return on equity, for the twelve months ended September 30, 2013, are as follows (dollars in millions):

	Bankers <u>Life</u>	Washington <u>National</u>	Colonial <u>Penn</u>	Other CNO <u>Business</u>	<u>Corporate</u>	<u>Total</u>
Segment operating return for purposes of calculating operating return on allocated capital	<u>\$ 165.2</u>	<u>\$ 67.0</u>	<u>\$ (4.3)</u>	<u>\$ 1.4</u>	<u>\$ 25.3</u>	<u>\$ 254.6</u>
Net income						<u>\$ 473.2</u>
<b>Trailing 4 Quarter Average as of September 30, 2013</b>						
Allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	<u>\$ 1,093.7</u>	<u>\$ 527.0</u>	<u>\$ 82.3</u>	<u>\$ 545.7</u>	<u>\$ 778.2</u>	<u>\$ 3,026.9</u>
Common shareholders' equity						<u>\$ 4,896.4</u>
Operating return on allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	15.1%	12.7%	■ (5.3)%	0.3%		8.4%
Return on equity						9.7%

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## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of pretax operating earnings (a non-GAAP financial measure) to segment operating return and consolidated net income for the twelve months ended September 30, 2013, is as follows (dollars in millions):

	Bankers <u>Life</u>	Washington <u>National</u>	Colonial <u>Penn</u>	Other CNO <u>Business</u>	<u>Corporate</u>	<u>Total</u>
Segment pretax operating earnings (a non-GAAP financial measure)	\$ 301.2	\$ 123.9	\$ (5.2)	\$ 17.5	\$ (43.6)	\$ 393.8
Adjustment to investment income to reflect capital at 275%	(15.9)	(6.2)	0.4	(1.9)	23.6	-
Interest allocated on corporate debt	(27.0)	(13.1)	(2.0)	(13.4)	55.5	-
Income tax (expense) benefit	<u>(93.1)</u>	<u>(37.6)</u>	<u>2.5</u>	<u>(0.8)</u>	<u>(10.2)</u>	<u>(139.2)</u>
Segment operating return for purposes of calculating operating return on allocated capital	<u>\$ 165.2</u>	<u>\$ 67.0</u>	<u>\$ (4.3)</u>	<u>\$ 1.4</u>	<u>\$ 25.3</u>	254.6
Net realized investment gains, net of related amortization and taxes						21.9
Fair value changes in embedded derivative liabilities, net of related amortization and taxes						18.2
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)						(7.5)
Loss on extinguishment of debt						(64.7)
Valuation allowance for deferred tax assets						<u>250.7</u>
Net income						<u>\$ 473.2</u>

(Continued on next page)

## Information Related to Certain Non-GAAP Financial Measures

A reconciliation of average allocated capital (for the purpose of determining return on allocated capital), excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to average common shareholders' equity, is as follows (dollars in millions):

	<u>Bankers Life</u>	<u>Washington National</u>	<u>Colonial Penn</u>	<u>Other CNO Business</u>	<u>Corporate</u>	<u>Total</u>
<b>Trailing 4 Quarter Average as of September 30, 2013</b>						
Allocated capital (for the purpose of determining return on allocated capital), excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 1,093.7	\$ 527.0	\$ 82.3	\$ 545.7	\$ 778.2	\$ 3,026.9
Net operating loss carryforwards	-	-	-	-	869.4	869.4
Accumulated other comprehensive income	392.1	181.1	47.2	341.7	38.0	1,000.1
Adjustment to reflect capital at 275% RBC	249.7	100.7	(8.6)	30.4	(372.2)	-
Allocation of corporate debt	461.4	222.6	34.8	230.2	(949.0)	-
Common shareholders' equity	<u>\$ 2,196.9</u>	<u>\$ 1,031.4</u>	<u>\$ 155.7</u>	<u>\$ 1,148.0</u>	<u>\$ 364.4</u>	<u>\$ 4,896.4</u>

(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 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				
	3Q12	4Q12	1Q13	2Q13	3Q13
Operating income	\$ 171.4	\$ 180.4	\$ 189.5	\$ 203.0	\$ 254.6
Operating income, excluding significant items	\$ 221.3	\$ 245.4	\$ 250.1	\$ 259.4	\$ 256.8
Net Income	\$ 184.2	\$ 221.0	\$ 173.8	\$ 185.2	\$ 473.2
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,014.3	\$ 3,024.4	\$ 3,018.9	\$ 3,004.3	\$ 3,026.9
Average common shareholders' equity	\$ 4,747.8	\$ 4,868.5	\$ 4,966.1	\$ 4,970.3	\$ 4,896.4
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	5.7%	6.0%	6.3%	6.8%	8.4%
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	7.3%	8.1%	8.3%	8.6%	8.5%
Return on equity	3.9%	4.5%	3.5%	3.7%	9.7%

(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 (dollars in millions):

	<u>Operating earnings</u>	<u>Significant items (a)</u>	<u>Operating earnings, excluding significant items</u>	<u>Operating earnings, excluding significant items - trailing four quarters</u>	<u>Net income</u>	<u>Net income - trailing four quarters</u>
4Q11	\$ 51.0	\$ (2.5)	\$ 48.5	\$ -	\$ 64.0	\$ -
1Q12	40.6	10.4	51.0	-	59.1	-
2Q12	54.2	(2.3)	51.9	-	65.7	-
3Q12	25.6	44.3	69.9	221.3	(5.0)	184.2
4Q12	60.0	12.6	72.6	245.4	101.2	221.0
1Q13	49.7	6.0	55.7	250.1	11.9	173.8
2Q13	67.7	(6.5)	61.2	259.4	77.1	185.2
3Q13	77.2	(9.9)	67.3	256.8	283.0	473.2

(a) Significant items for the periods 3Q12 through 3Q13 are further described elsewhere in the Appendix. The significant items for the remaining periods have been discussed in prior press releases and presentations.

(Continued on next page)

## Information Related to Certain Non-GAAP Financial Measures

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

	Twelve months ended				
	<u>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Segment pretax operating earnings (a non-GAAP financial measure)	\$ 267.6	\$ 284.1	\$ 297.9	\$ 315.1	\$ 393.8
Income tax (expense) benefit	<u>(96.2)</u>	<u>(103.7)</u>	<u>(108.4)</u>	<u>(112.1)</u>	<u>(139.2)</u>
Segment operating return	171.4	180.4	189.5	203.0	254.6
Net realized investment gains, net of related amortization and taxes	51.6	48.4	43.7	26.8	21.9
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(4.8)	(1.8)	(5.0)	14.0	18.2
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	-	-	(1.8)	(4.5)	(7.5)
Loss on extinguishment of debt	(177.0)	(177.5)	(234.6)	(241.1)	(64.7)
Valuation allowance for deferred tax assets	<u>143.0</u>	<u>171.5</u>	<u>182.0</u>	<u>187.0</u>	<u>250.7</u>
Net income	<u>\$ 184.2</u>	<u>\$ 221.0</u>	<u>\$ 173.8</u>	<u>\$ 185.2</u>	<u>\$ 473.2</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):

	<u>3Q11</u>	<u>4Q11</u>	<u>1Q12</u>	<u>2Q12</u>	<u>3Q12</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,868.7	\$ 2,966.3	\$ 3,057.1	\$ 3,129.9	\$ 2,938.8
Net operating loss carryforwards	916.6	865.9	817.9	772.4	893.0
Accumulated other comprehensive income	<u>750.9</u>	<u>781.6</u>	<u>808.0</u>	<u>990.8</u>	<u>1,234.4</u>
Common shareholders' equity	<u>\$ 4,536.2</u>	<u>\$ 4,613.8</u>	<u>\$ 4,683.0</u>	<u>\$ 4,893.1</u>	<u>\$ 5,066.2</u>
		<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)		\$ 2,976.9	\$ 3,002.9	\$ 3,067.6	\$ 3,181.9
Net operating loss carryforwards		875.0	855.0	815.7	970.7
Accumulated other comprehensive income		<u>1,197.4</u>	<u>1,170.7</u>	<u>698.1</u>	<u>634.0</u>
Common shareholders' equity		<u>\$ 5,049.3</u>	<u>\$ 5,028.6</u>	<u>\$ 4,581.4</u>	<u>\$ 4,786.6</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>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,014.3	\$ 3,024.4	\$ 3,018.9	\$ 3,004.3	\$ 3,026.9
Net operating loss carryforwards	840.3	838.4	844.2	854.3	869.4
Accumulated other comprehensive income	<u>893.2</u>	<u>1,005.7</u>	<u>1,103.0</u>	<u>1,111.7</u>	<u>1,000.1</u>
Common shareholders' equity	<u>\$ 4,747.8</u>	<u>\$ 4,868.5</u>	<u>\$ 4,966.1</u>	<u>\$ 4,970.3</u>	<u>\$ 4,896.4</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 (\$ in millions):

	<u>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>
Corporate notes payable	\$ 1,035.1	\$ 1,004.2	\$ 934.2	\$ 905.7	\$ 868.6
Total shareholders' equity	<u>5,066.2</u>	<u>5,049.3</u>	<u>5,028.6</u>	<u>4,581.4</u>	<u>4,786.6</u>
Total capital	<u>\$ 6,101.3</u>	<u>\$ 6,053.5</u>	<u>\$ 5,962.8</u>	<u>\$ 5,487.1</u>	<u>\$ 5,655.2</u>
Corporate debt to capital	<u>17.0%</u>	<u>16.6%</u>	<u>15.7%</u>	<u>16.5%</u>	<u>15.4%</u>
Corporate notes payable	\$ 1,035.1	\$ 1,004.2	\$ 934.2	\$ 905.7	\$ 868.6
Total shareholders' equity	5,066.2	5,049.3	5,028.6	4,581.4	4,786.6
Less accumulated other comprehensive income	<u>(1,234.4)</u>	<u>(1,197.4)</u>	<u>(1,170.7)</u>	<u>(698.1)</u>	<u>(634.0)</u>
Total capital	<u>\$ 4,866.9</u>	<u>\$ 4,856.1</u>	<u>\$ 4,792.1</u>	<u>\$ 4,789.0</u>	<u>\$ 5,021.2</u>
Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure)	<u>21.3%</u>	<u>20.7%</u>	<u>19.5%</u>	<u>18.9%</u>	<u>17.3%</u>