CNO FINANCIAL GROUP, INC.

FORM 8-K
(Current report filing)

Filed 02/23/11 for the Period Ending 02/23/11

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
CIK	0001224608
Symbol	CNO
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **February 23, 2011**

CNO Financial Group, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware (State or Other Jurisdiction of Incorporation)	**001-31792** (Commission File Number)	**75-3108137** (I.R.S. Employer Identification No.)

11825 North Pennsylvania Street
Carmel, Indiana 46032
(Address of Principal Executive Offices) (Zip Code)

(317) 817-6100
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. **Results of Operations and Financial Condition .**

On February 23, 2011, CNO Financial Group, Inc. issued additional financial information related to its financial and operating results for the quarter ended December 31, 2010, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information contained in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01(d). **Financial Statements and Exhibits.**

The following materials are furnished as exhibits to this Current Report on Form 8-K:

99.1 Fourth Quarter 2010 Financial and Operating Results for the period ended December 31, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CNO Financial Group, Inc.

Date: February 23, 2011

By: /s/ John R. Kline
John R. Kline
Senior Vice President and
Chief Accounting Officer

Exhibit 99.1

CNO FINANCIAL GROUP

4Q10

Financial and operating results for the period ended December 31, 2010

February 23, 2011

Unless otherwise specified, comparisons in this presentation are between 4Q10 and 4Q09.

Forward-Looking Statements

Cautionary Statement Regarding Forward-Looking Statements. *Our statements, trend analyses and other information contained in this press release relative to markets for CNO Financial's products and trends in CNO Financial's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other ''forward-looking'' information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) changes in or sustained low interest rates causing a reduction in investment income, the margins of our fixed annuity and life insurance businesses and demand for our products; (ii) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect our ability to raise capital or refinance existing indebtedness and the cost of doing so; (iii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (iv) our ability to make changes to certain non-guaranteed elements of our life insurance products; (v) our ability to obtain adequate and timely rate increases on our health products, including our long-term care business; (vi) the receipt of any required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (vii) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (viii) changes in our assumptions related to deferred acquisition costs or the present value of future profits; (ix) the recoverability of our deferred tax assets and the effect of potential ownership changes and tax rate changes on their value; (x) our assumption that the positions we take on our tax return filings, including our position that our 7.0% convertible senior debentures due 2016 will not be treated as stock for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, and will not trigger an ownership change, will not be successfully challenged by the Internal Revenue Service; (xi) changes in accounting principles and the interpretation thereof; (xii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xiii) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems, (xiv) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xv) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (xvi) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (xvii) our ability to maintain effective controls over financial reporting; (xviii) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xix) our ability to achieve eventual upgrades of the financial strength ratings of CNO Financial and our insurance company subsidiaries as well as the impact of our ratings on our business, our ability to access capital and the cost of capital; (xx) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xxi) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends and surplus debenture interest to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; and (xxii) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.*

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) and corporate interest and taxes; debt to capital ratios, excluding accumulated other comprehensive income (loss); and interest-adjusted benefit ratios. 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.

CNO FINANCIAL GROUP

4Q10: Summary

CNO

- Net income of $168.2 million, compared to $18.2 million
- Net operating income* of $51.7 million, up 62%, or 18 cents per diluted share
- Consolidated RBC at 332%, up 12 percentage points from 9/30/10
- Holding company liquidity at $161 million, down $29 million from 9/30/10 primarily reflecting the repayment of debt
- Debt to total capital ratio, as defined in our Senior Secured Credit Agreement 19.99%, down from 21.17% at 9/30/10
- AOCI of $238 million at 12/31/10 vs. AOCI of $688 million at 9/30/10
- Core sales** up 13% over 3Q10

*Management believes that an analysis of net income applicable to common stock before: (1) loss on extinguishment or modification of debt, net of income taxes; (2) net realized investment gains or losses, net of related amortization and income taxes; and (3) increases or decreases in the valuation allowance related to deferred tax assets ("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 such items can be affected by events that are unrelated to the company's underlying fundamentals. The table on page 8 reconciles the non-GAAP measure to the corresponding GAAP measure.
**Excludes PFFS and PDP.

2010 vs. 2009 Summary CNO

- Net income of $284.6 million, compared to $85.7 million
- Net operating income* of $181.9 million, up 11%, or 65 cents per diluted share
- Consolidated RBC at 332%, up 23 percentage points for the year
- Holding company liquidity at $161 million, up $15 million
- Debt to total capital ratio, as defined in our Senior Secured Credit Agreement 19.99%, down from 21.63% at 12/31/09
- AOCI of $238 million at 12/31/10 vs. AOCL of $(264) million at 12/31/09
- Core sales** for the year down 5%
- Material weakness has been remediated

*Management believes that an analysis of net income applicable to common stock before: (1) loss on extinguishment or modification of debt, net of income taxes; (2) net realized investment gains or losses, net of related amortization and income taxes; and (3) increases or decreases in the valuation allowance related to deferred tax assets ("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 such items can be affected by events that are unrelated to the company's underlying fundamentals. The table on page 8 reconciles the non-GAAP measure to the corresponding GAAP measure.
**Excludes PFFS and PDP.

4Q10 Summary of Results

CNO

($ millions, except per-share amounts)

	Pre-Tax	After Tax	EPS
Bankers Life	$71.4		
Washington National	28.7		
Colonial Penn	5.8		
Other CNO Business	6.0		
Corporate operations and interest expense	(33.7)		
Operating income*	78.2	$51.7	$0.18
Decrease in valuation allowance for deferred tax assets	-	95.0	0.31
Loss on extinguishment of debt	(4.1)	(2.6)	(0.01)
Net realized investment gains	37.2	24.1	0.08
Total	$111.3	$168.2	$0.56

*Management believes that an analysis of earnings before net realized investment gains (losses) (a non-GAAP financial measure) provides an alternative measure of the operating results of the company because such items are unrelated to the company's continuing operations. The table above provides a reconciliation to the corresponding GAAP measure.

Quarterly Earnings

CNO

($ millions)

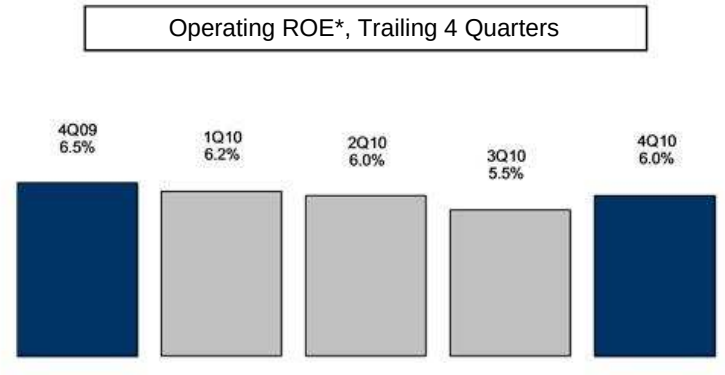
	4Q09	1Q10	2Q10	3Q10	4Q10
Bankers Life	$ 84.6	$ 53.2	$ 64.0	$ 95.5	$ 71.4
Washington National	23.0	27.6	21.1	27.2	28.7
Colonial Penn	5.9	5.3	7.6	7.8	5.8
Other CNO Business	(29.7)	(1.9)	8.8	(24.4)	6.0
Corporate operations, excluding interest expense	(12.8)	(5.0)	(11.8)	(12.3)	(13.7)
Total EBIT*	71.0	79.2	89.7	93.8	98.2
Corporate interest expense	(23.1)	(19.5)	(19.8)	(20.0)	(20.0)
Income before net realized investment gains (losses) and taxes	47.9	59.7	69.9	73.8	78.2
Tax expense on period income	15.9	21.5	25.0	26.7	26.5
Net operating income	32.0	38.2	44.9	47.1	51.7
Loss on extinguishment or modification of debt, net of income taxes	(8.3)	(1.2)	(0.6)	-	(2.6)
Net realized investment gains (losses)	(2.5)	(3.1)	(11.2)	2.3	24.1
Net income before valuation allowance for deferred tax assets	21.2	33.9	33.1	49.4	73.2
(Increase) decrease in valuation allowance for deferred tax assets	(3.0)	-	-	-	95.0
Net income	$ 18.2	$ 33.9	$ 33.1	$ 49.4	$ 168.2

*Management believes that an analysis of earnings before net realized investment gains (losses), corporate interest, loss on extinguishment or modification 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 or modification of debt; and (3) net realized investment gains (losses) that are unrelated to the company's underlying fundamentals. The table above provides a reconciliation of EBIT to net income.

Operating ROE

($ millions)

CNO



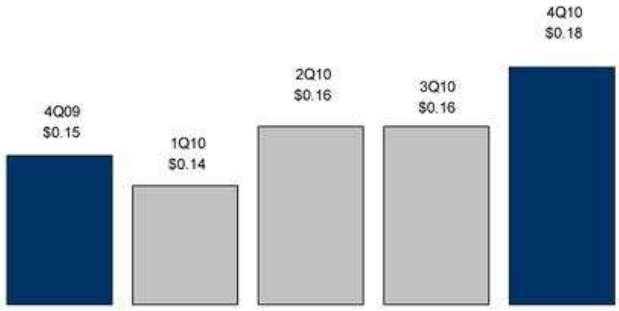
Average common shareholders' equity, excluding AOCI/L and net operating loss carryforwards, trailing 4 quarters:	$2,551.1	$2,679.2	$2,808.3	$2,942.8	$3,048.5

*Operating return excludes loss on extinguishment or modification of debt, net realized investment gains (losses) and valuation allowance related to deferred tax assets. Equity excludes accumulated other comprehensive income (loss) and the value of net operating loss carryforwards. See Appendix for a reconciliation to the corresponding GAAP measure.

Operating EPS (Diluted)*

CNO

- **Increased EPS despite dilution from recapitalization in 4Q09**



Weighted average diluted shares (in millions):	217.5	292.1	302.6	306.0	306.7

*Operating earnings per share exclude loss on extinguishment or modification of debt, net realized investment gains (losses) and valuation allowance related to deferred tax assets. See Appendix for a reconciliation to the corresponding GAAP measure.

Book Value

CNO

($ millions, except per-share amounts)

	12/31/09	03/31/10	06/30/10	09/30/10	12/31/10
Shareholders' Equity (Excluding AOCI/L)	$3,796.7	$3,823.1	$3,864.0	$3,916.2	$4,087.0
Accumulated Other Comprehensive Income (Loss)	(264.3)	(103.0)	318.8	688.1	238.3
Total Shareholders' Equity	$3,532.4	$3,720.1	$4,182.8	$4,604.3	$4,325.3
Shares Outstanding	250.8	250.9	251.0	251.0	251.1
Book Value Per Share	$14.08	$14.83	$16.66	$18.34	$17.23
Book Value Per Share (Excluding AOCI/L)*	$15.14	$15.24	$15.39	$15.60	$16.28

Book value per diluted share (excluding AOCI/L) as of December 31, 2010 was $14.23

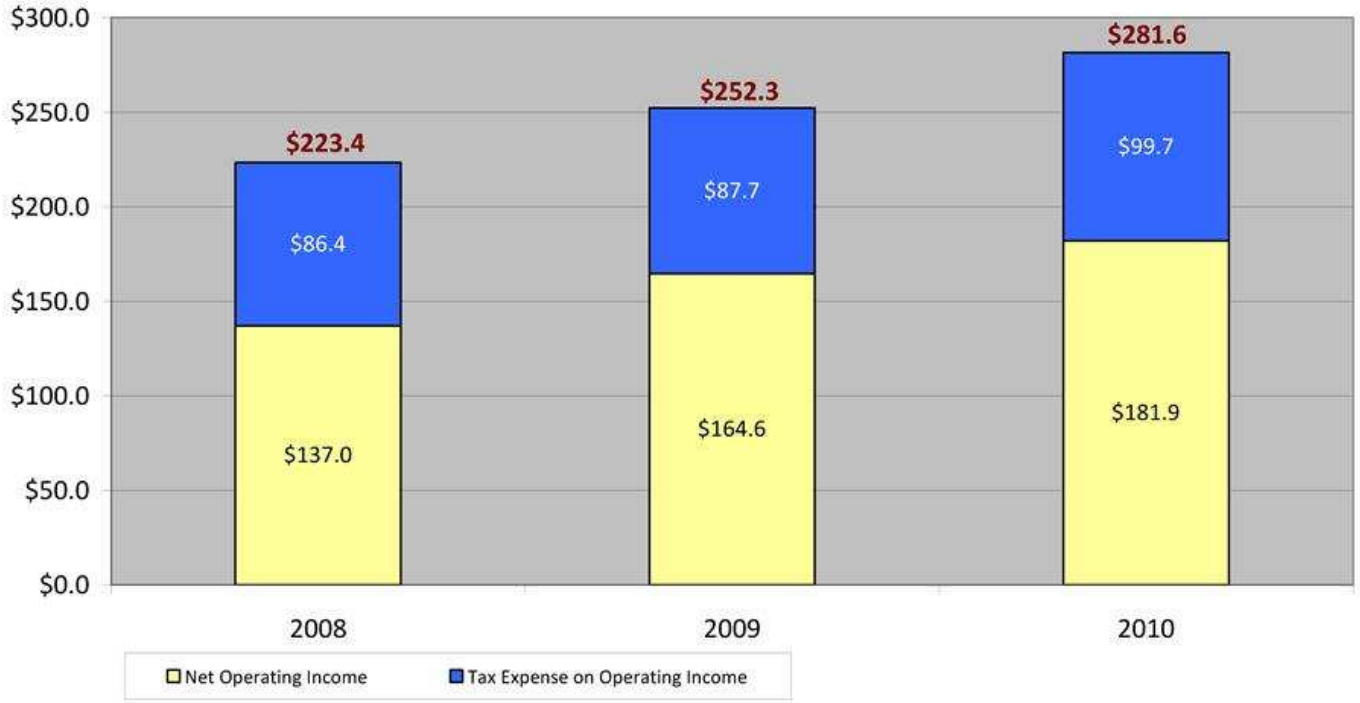
- Includes dilutive impact of $293.0 million of 7.0% debentures

*See Appendix for a reconciliation to the corresponding GAAP measure.

Pre/After Tax GAAP Operating Income

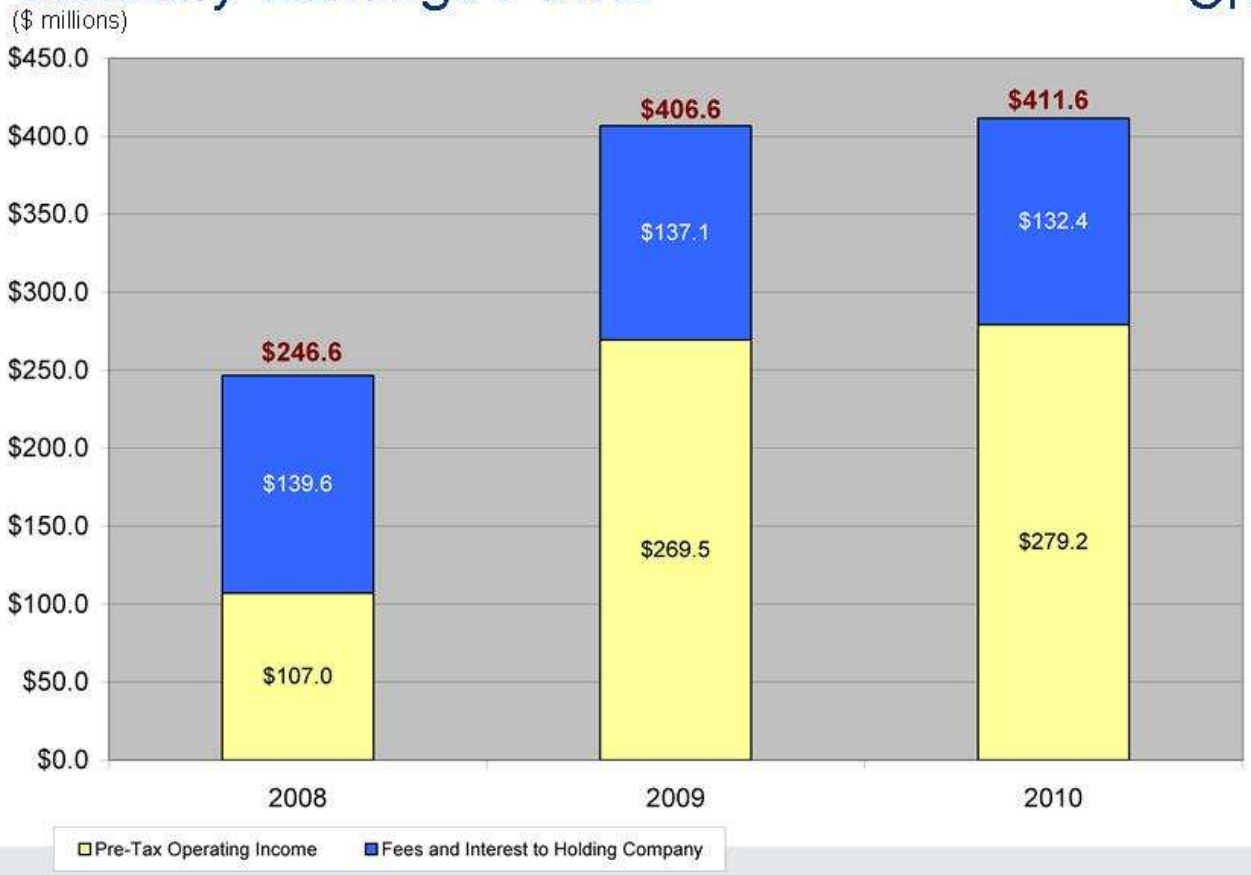
($ millions)

CNO



Statutory Earnings Power

CNO

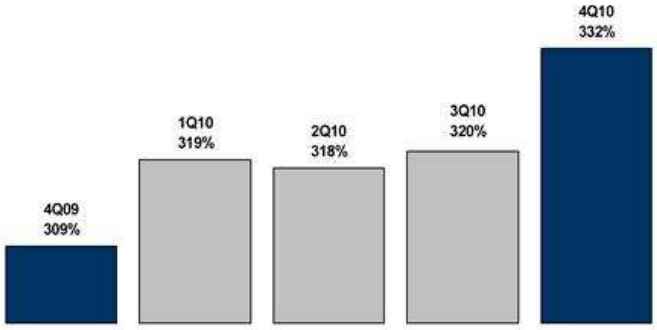


Financial Strength

($ millions)

CNO

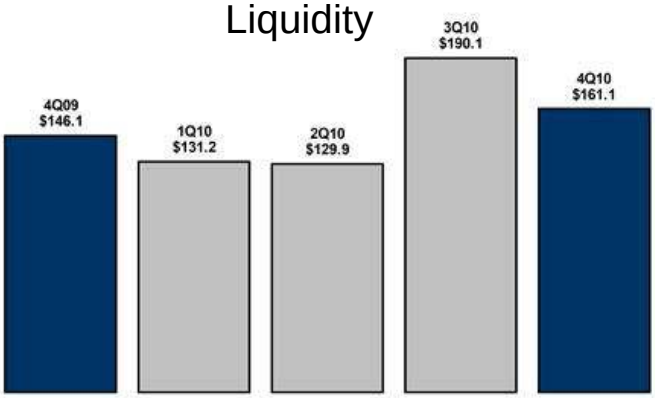
Consolidated RBC Ratio*



- **RBC increased to 332% in 4Q10**
  - **Positive impact from statutory operating income (+22 points)**
  - **Impact of WNIC merger (+8 points)**
  - **Impact of capital losses (-7 points)**
  - **Other impacts, including surplus debenture interest and increase in total investments (-11 points)**

* Risk-Based Capital ("RBC") requirements provide a tool for insurance regulators to determine the levels of statutory capital and surplus an insurer must maintain in relation to its insurance and investment risks. The RBC ratio is the ratio of the statutory consolidated adjusted capital of our insurance subsidiaries to RBC.

Liquidity



Debt to Total Capital Ratio**				
21.63%	21.56%	21.31%	21.17%	19.99%

- **Unrestricted cash held at the holding company decreased $29 million to $161 million during 4Q10 primarily reflecting the repayment of debt**

**as defined in our Senior Secured Credit Agreement. See appendix for reconciliation to GAAP measure.

4Q Summary

Bankers Life

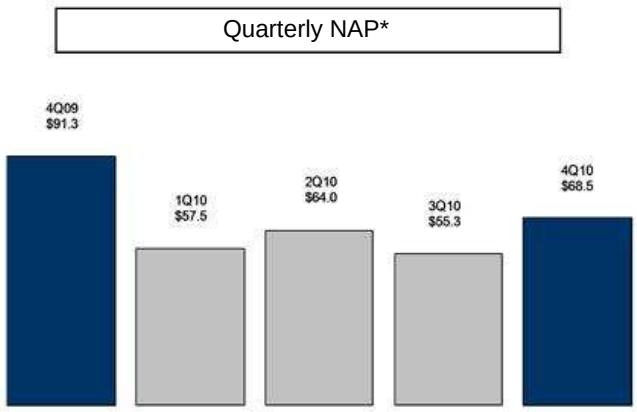
- **Earnings of $71.4 million, down 16%**
  - Results in 4Q10 were favorably impacted by $18 million from improved spreads and growth in the annuity block
  - Results in 4Q10 were unfavorably impacted by:
    - $4 million from unfavorable mortality
    - $3 million from unfavorable Med Supp persistency
  - Results in 4Q09 were favorably impacted by:
    - $11 million from PFFS business we assumed from Coventry, the last of which expired on January 1, 2010
    - $10 million due to positive development of long-term care reserves and the impact of policyholder actions following rate increases
    - A $6 million out-of-period correction

Sales and Distribution Results

Bankers Life

($ millions)

- Mixed sales results
  - Med Supp sales 2 nd highest in Bankers' history
  - Life and Annuity sales better than industry results
    - 16% increase in life sales
    - 15% increase in annuity sales
  - LTC sales in line with expectations



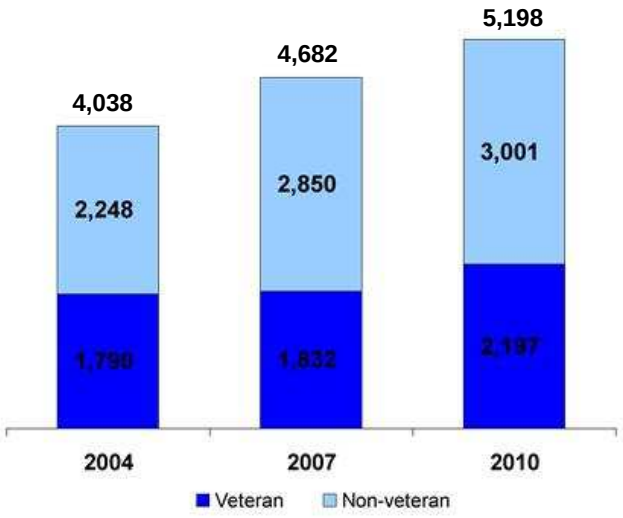
Med Supp policies issued (in thousands):	32.5	10.6	12.6	10.2	19.7

*PFFS and PDP sales are not comparable and are excluded from NAP in all periods; in addition, we no longer assume any of the risks on PFFS contracts through reinsurance.

Distribution Value Proposition

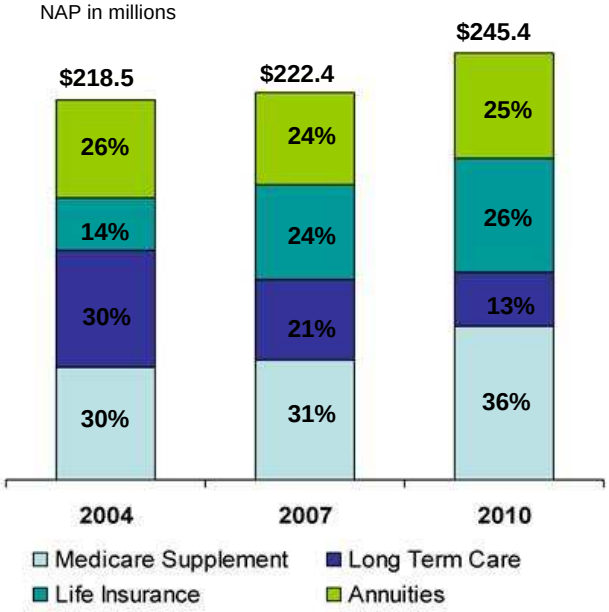
Bankers Life

Average Agent Counts



Diversified Product Suite (Share of Sales*)

NAP in millions



- Needs based market focus able to reach middle market boomers and seniors with straightforward products
- Nationwide footprint with localized presence in key target markets (75% of sales take place within 10 miles of an agent's home)
- Bankers "franchise" model - standardization and development of best practices in key activities (e.g. recruiting/sales leads/ training) drives productivity, consistency and compliance

*Excluding PFFS & PDP

LTC Update

Bankers Life

- LTC is an important product that enables Bankers Life to meet the needs of its customers

- Stable financial results

- Bankers experience and strategy enable us to differentiate through:
  - Stringent underwriting
  - Low exposure to higher risk product benefits (i.e. “0” day elimination period, “lifetime” benefits, high compound inflation, etc.)
  - Successful proactive in-force rate actions over last five years
  - Rigorous claim management
  - New business priced for higher returns
  - Career Distribution channel positively impacts underwriting and re-rate results

Quarterly Earnings

Bankers Life

($ millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Insurance policy income	$477.0	$396.2	$400.7	$405.1	$394.2
Net investment income:					
General account assets	165.8	172.2	177.0	182.4	187.7
Other portfolios	6.9	13.7	(16.5)	26.1	16.3
Fee revenue and other income	4.8	2.3	2.7	3.6	4.2
Total revenues	654.5	584.4	563.9	617.2	602.4
Insurance policy benefits	402.9	350.6	344.2	341.8	339.9
Amounts added to policyholder account balances	59.8	65.9	38.5	60.3	66.1
Amortization related to operations	54.7	67.0	70.6	76.4	76.5
Interest expense on investment borrowings	-	-	-	-	1.0
Other operating costs and expenses	52.5	47.7	46.6	43.2	47.5
Total benefits and expenses	569.9	531.2	499.9	521.7	531.0
Income before net realized investment gains (losses), net of related amortization and income taxes	$84.6	$53.2	$64.0	$95.5	$71.4

Trailing 4 Quarter Operating Return on Allocated Capital: 11.8%

Management believes that an analysis of income before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 8 reconciles the non-GAAP measure to the corresponding GAAP measure. See Appendix for a reconciliation of the return on equity measure to the corresponding GAAP measure.

4Q Summary Washington National

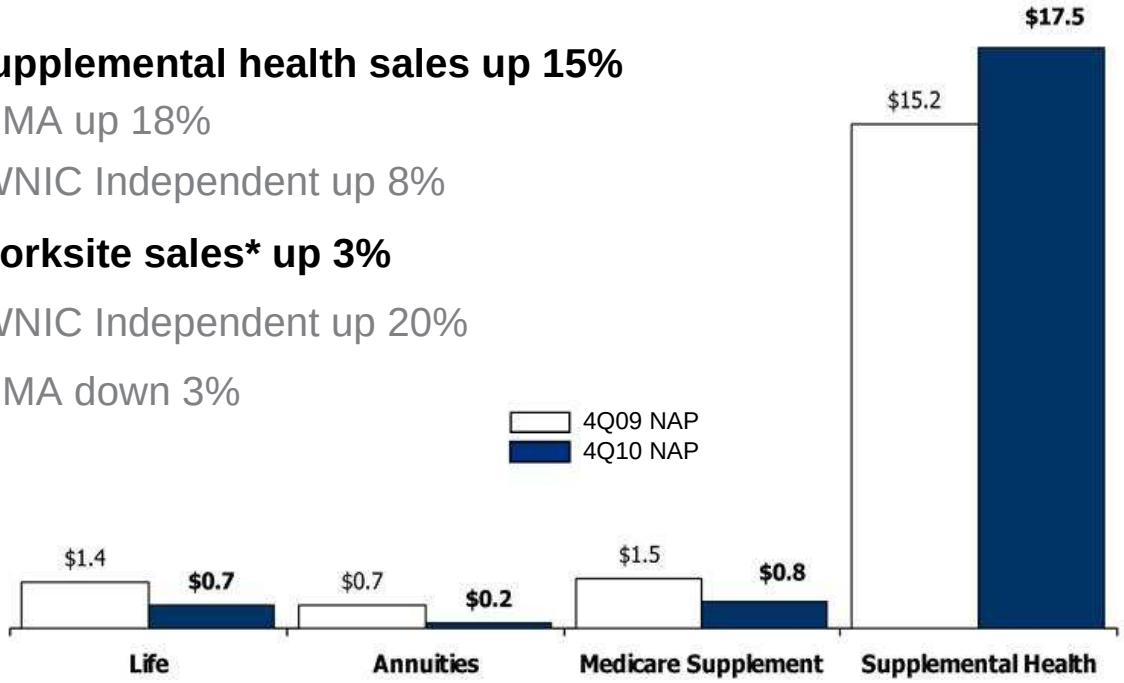
- **Earnings of $28.7 million, up 25%**
  - Reflects an increase in earnings from our supplemental health products due to growth in this block of business and lower claims
- **Sales (NAP) of $19 million, up 3%**
  - Supplemental health NAP of $17.5 million, up 15%
- **Strong supplemental health sales growth in both WNIC Independent and PMA channels**

4Q10 Sales Results

Washington National

($ millions)

- **Supplemental health sales up 15%**
  - PMA up 18%
  - WNIC Independent up 8%
- **Worksite sales* up 3%**
  - WNIC Independent up 20%
  - PMA down 3%



* Worksite sales include supplemental health and life

Quarterly Earnings

Washington National

($ millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Insurance policy income	$146.9	$145.4	$144.7	$144.9	$146.0
Net investment income:					
General account assets	45.6	45.5	45.8	46.2	46.7
Other portfolios	(1.1)	(0.1)	0.1	0.2	1.0
Fee revenue and other income	(0.1)	0.3	0.2	0.3	0.3
Total revenues	191.3	191.1	190.8	191.6	194.0
Insurance policy benefits	116.1	112.5	116.7	112.4	109.0
Amortization related to operations	11.8	14.8	13.1	14.4	14.6
Other operating costs and expenses	40.4	36.2	39.9	37.6	41.7
Total benefits and expenses	168.3	163.5	169.7	164.4	165.3
Income (loss) before net realized investment gains (losses), net of related amortization and income taxes	$23.0	$27.6	$21.1	$27.2	$28.7

Trailing 4 Quarter Operating Return on Allocated Capital: 9.9%

Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 8 reconciles the non-GAAP measure to the corresponding GAAP measure.

Summary

Colonial Penn

- **Earnings of $5.8 million, compared to $5.9 million**
  - Unfavorable mortality in life products
  - Substantially offset by increased earnings in core life products due to growth and higher investment yields
- **Sales growth continues:**
  - NAP up 13%
  - 2010 sales up 11%
  - 2010 lead generation up 35%

Quarterly Earnings

Colonial Penn

($ millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Insurance policy income	$47.9	$48.2	$49.3	$48.8	$48.6
Net investment income	9.6	9.7	9.7	9.9	10.0
Fee revenue and other income	0.3	0.2	0.1	0.2	0.2
Total revenues	57.8	58.1	59.1	58.9	58.8
Insurance policy benefits	35.1	36.4	35.2	36.1	36.1
Amounts added to policyholder account balances	0.3	0.3	0.2	0.3	0.2
Amortization related to operations	8.5	8.7	8.8	7.0	8.8
Other operating costs and expenses	8.0	7.4	7.3	7.7	7.9
Total benefits and expenses	51.9	52.8	51.5	51.1	53.0
Income before net realized investment gains (losses) net of related amortization and income taxes	$5.9	$5.3	$7.6	$7.8	$5.8

Trailing 4 Quarter Operating Return on Allocated Capital: 7.6%

Management believes that an analysis of income before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 8 reconciles the non-GAAP measure to the corresponding GAAP measure. See Appendix for a reconciliation of the return on equity measure to the corresponding GAAP measure.

4Q Summary Other CNO Business

- **Earnings of $6.0 million, compared to loss of $29.7 million**
  - Results in 4Q10 reflect favorable mortality in this segment's life block which increased earnings by $6 million
  - Results in 4Q09 were unfavorably impacted by:
    - Amortization of insurance intangibles of $15 million
    - Regulatory and legal settlements of $14 million

Sharpened Focus

Other CNO Business

- Continued focus on:
  - Non-Guaranteed Element Management
  - Expense Management
  - Risk Mitigation
- Near-term results expected to continue to be volatile
  - Portions of the business are in loss recognition
  - Present value impact of some assumption changes
  - NGE changes require a methodical approach
- Yue vs. Conseco Life Litigation
  - Rate increase in question had been previously withdrawn
  - Appealing court's declaratory judgment as to what items could be considered in future cost of insurance (COI) rate increases on these ValueLife/ValueTerm policies
  - Conseco Life is preparing COI rate increases consistent with court decision and regulatory settlement agreement
  - No reserve increase or intangible write-off resulted from court's decision

Quarterly Earnings (Losses) Other CNO Business

($ millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Insurance policy income	$75.7	$74.8	$73.2	$75.7	$74.2
Net investment income:					
General account assets	86.3	87.8	88.5	88.0	87.8
Other portfolios	4.4	4.8	(8.1)	8.5	7.3
Total revenues	166.4	167.4	153.6	172.2	169.3
Insurance policy benefits	90.9	90.3	84.3	110.4	82.6
Amounts added to policyholder account balances	44.3	43.0	31.9	38.7	39.8
Amortization related to operations	21.3	12.2	3.6	20.7	15.1
Interest expense on investment borrowings	5.0	5.0	5.0	5.1	4.9
Other operating costs and expenses	34.6	18.8	20.0	21.7	20.9
Total benefits and expenses	196.1	169.3	144.8	196.6	163.3
Income (loss) before net realized investment gains (losses), net of related amortization and income taxes	($29.7)	($1.9)	$8.8	($24.4)	$6.0

Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 8 reconciles the non-GAAP measure to the corresponding GAAP measure.

2010 Refinancing

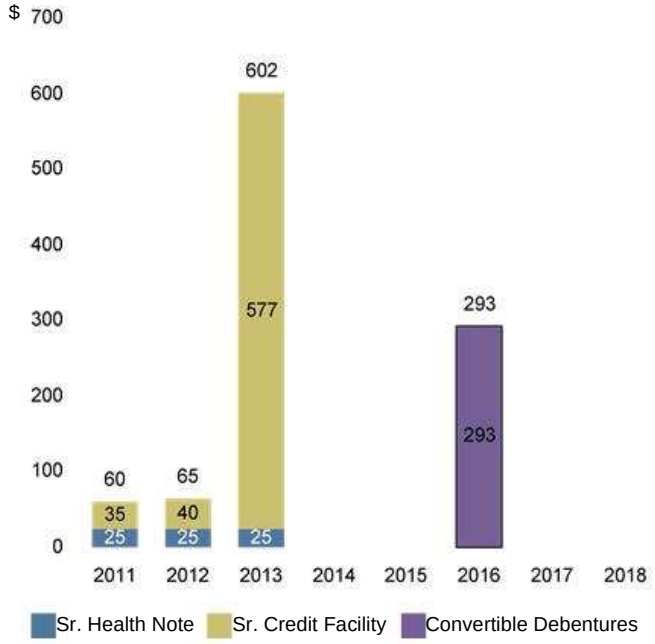
- $650 million of new financing
  - $275 million 9.0% senior secured notes due January 2018
  - $375 million senior secured credit facility amortizing through September 2016
- Proceeds used to extinguish the previous senior secured credit facility of $652 million
- Extended debt maturity profile by over 3 years
- Diversified sources of financing
- Increased financial flexibility

Debt Maturity Profile

($ millions)

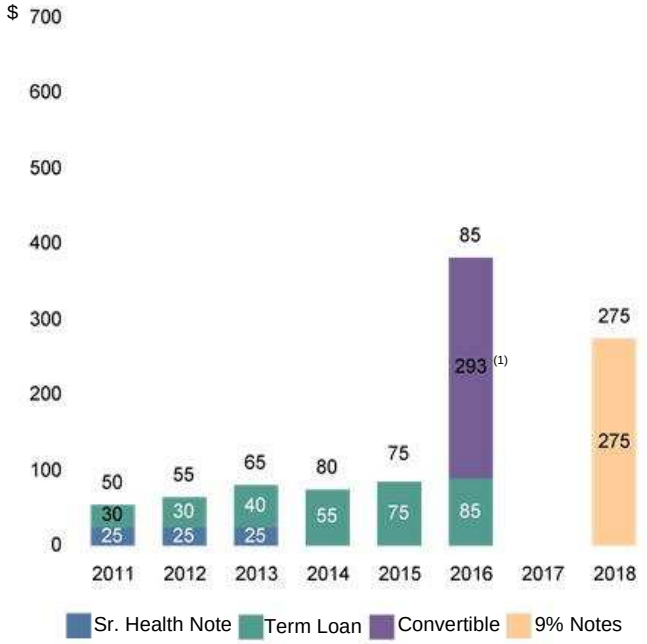
Prior Maturity Profile

2011 - 2018



Current Maturity Profile

2011 - 2018



(1) Conversion price is $5.49. CNO can force conversion after 6/30/13 if CNO stock trades above $7.69 for 20 or more days in a consecutive 30 day trading period. On 12/31/2010, CNO's stock closed at $6.78.

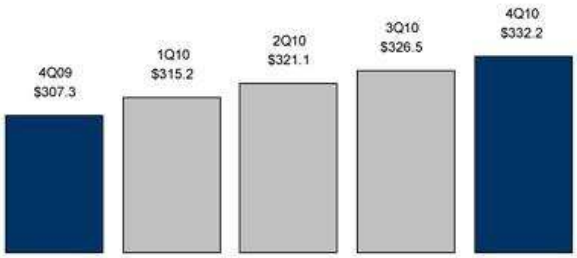
Net Investment Income

($ millions)

CNO

- **Increase in investment income due principally to growth in average assets**
- **4Q10 decline in realized yield due primarily to expansion of FHLB loans**
  - **Floating rate**
  - **Matched**
- **Full year portfolio yield increase due primarily to investments at yields exceeding portfolio rate**

General Account Investment Income



Yield:	5.63%	5.76%	5.83%	5.86%	5.77%

Realized Gains/Losses Recognized through Net Income

CNO

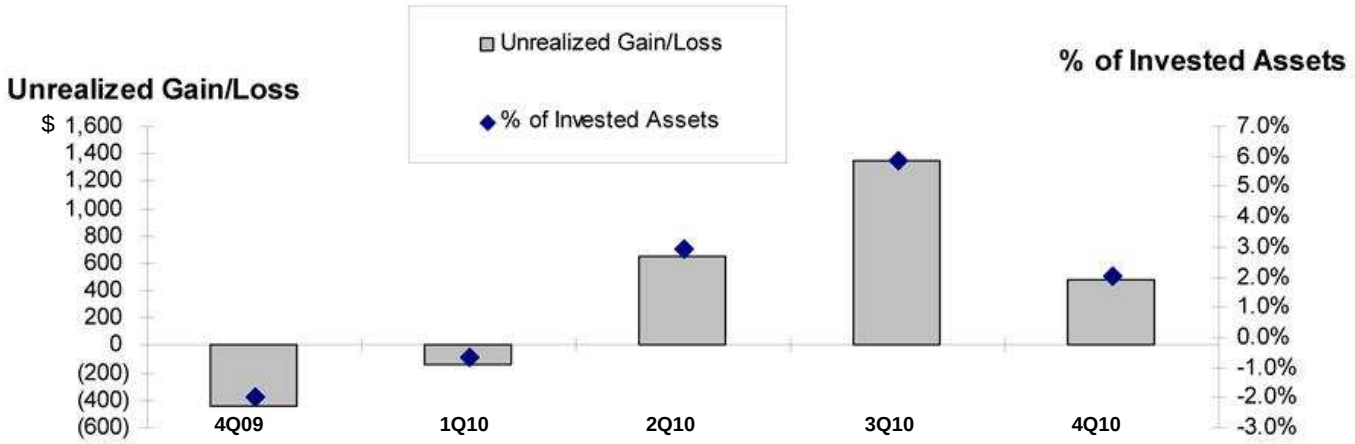
($ millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Gross Gains	$110.5	$50.9	$60.9	$101.5	$138.8
Gross Losses	(96.4)	(35.5)	(49.7)	(73.4)	(13.5)
Losses due to recognition of other-than-temporary impairments recognized in earnings	(31.1)	(20.3)	(27.9)	(24.5)	(77.1)
Amortization adjustments to insurance intangibles	(0.5)	0.1	(0.5)	(0.1)	(11.0)
Net investment gains (losses) before tax	(17.5)	(4.8)	(17.2)	3.5	37.2
Income tax benefit (expense)	15.0	1.7	6.0	(1.2)	(13.1)
Net investment gains (losses) after tax	($2.5)	($3.1)	($11.2)	$2.3	$24.1

Unrealized Gain/Loss*

($ millions)

CNO



*Includes debt and equity securities classified as available for sale. Excludes investments from variable interest entities which we consolidate under GAAP.

4Q10 Impairments

CNO

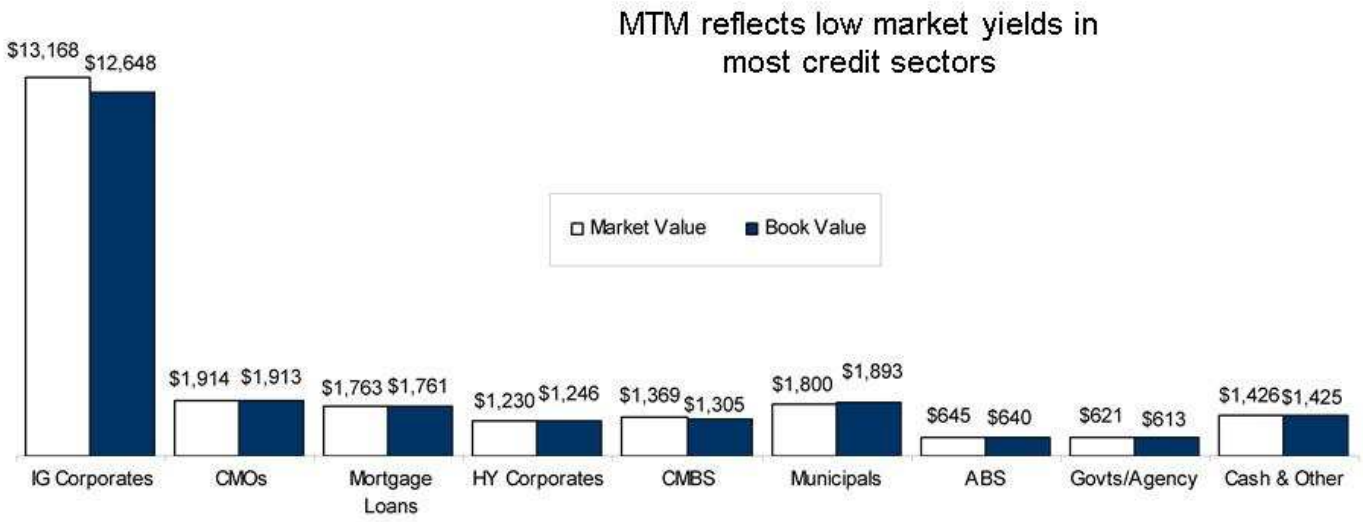
($ millions)

	Gross Amounts	Amount Recognized through AOCI/L	Amount Recognized through Net Income
Corporates	$ 70.7	$ -	$ 70.7
Alt-A/Prime Jumbo	1.9	0.2	2.1
CMBS	0.1	(0.1)	-
Subprime	0.5	-	0.5
Municipals	0.3	-	0.3
CDO	0.5	-	0.5
Commercial Mortgage Loans	3.0	-	3.0
Total	$ 77.0	$ 0.1	$ 77.1

Asset Allocation at 12/31/10*

CNO

($ millions)

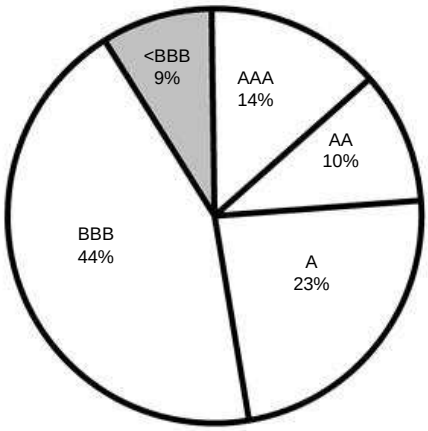


*Excludes investments from variable interest entities which we consolidate under GAAP (the related liabilities are non-recourse to CNO).

Investment Quality: Fixed Maturities* CNO

- **91% investment grade**

Fixed Maturities, available for sale, by Rating at 12/31/10 (Market Value)



	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
% of Bonds which are Investment Grade:	93%	93%	92%	92%	91%

*Excludes investments from variable interest entities which we consolidate under GAAP (the related liabilities are non-recourse to CNO).

Alt-A at 12/31/10

CNO

($ millions)

Rating	Market Value (mil.)	Book Value (mil.)	% of Alt-A*	Avg. FICO	Avg. Support	Avg. 60+ Delinq.	Avg. Accum. Loss	% of Portfolio*
AAA	$60.7	$60.9	20.5%	717	36.4%	21.2%	3.6%	0.25%
AA	78.4	77.7	26.4%	711	19.3%	13.3%	1.0%	0.33%
A	31.0	29.1	10.4%	713	11.1%	15.2%	1.2%	0.13%
BBB	35.0	34.9	11.8%	715	15.4%	14.5%	2.1%	0.15%
<BBB	91.7	93.8	30.9%	715	7.2%	19.0%	3.4%	0.38%
Total	$296.8	$296.4	100.0%	714	17.8%	17.0%	2.4%	1.24%

- 1.2% of total invested assets
- 100% NAIC 1 classification
- Substantial proportion of investments purchased at discounts reflective of current market expectations for cash flows from collateral
- Collateral performing better than overall Alt-A collateral universe in terms of delinquency and accumulated loss trends
- All securities evaluated using market-consistent estimates of future collateral performance

*Market value.

Prime Jumbo at 12/31/10

CNO

($ millions)

Rating	Market Value (mil.)	Book Value (mil.)	% of Prime Jumbo*	Avg. FICO	Avg. Support	Avg. 60+ Delinq.	Avg. Accum. Loss	% of Portfolio*
AAA	$140.6	$138.1	15.4%	736	7.0%	3.0%	0.07%	0.59%
AA	85.9	85.7	9.4%	739	15.7%	7.6%	0.68%	0.36%
A	184.4	183.4	20.2%	728	24.9%	13.5%	2.67%	0.77%
BBB	71.4	67.0	7.8%	743	8.9%	8.6%	0.88%	0.30%
<BBB	429.6	422.9	47.2%	739	6.8%	8.7%	0.90%	1.80%
Total	$911.9	$897.1	100.0%	737	11.5%	8.7%	1.11%	3.82%

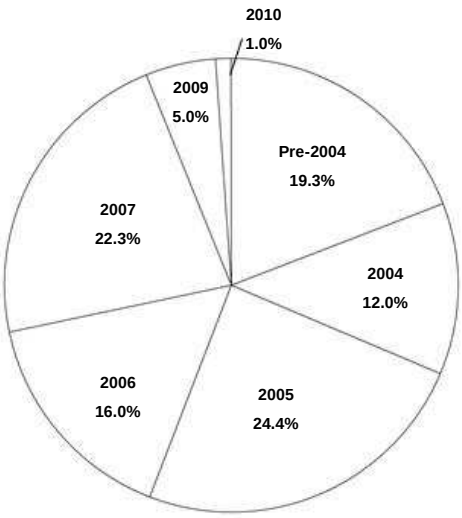
- 3.8% of total invested assets
- 98% NAIC 1 classification
- Substantial proportion of investments purchased at discounts reflective of current market expectations for cash flows from collateral
- All securities evaluated using market-consistent estimates of collateral performance
- Credit support remains substantial relative to anticipated cumulative losses

*Market value.

CMBS at 12/31/10

($ millions)

CNO



Our CMBS exposure is heavily weighted towards original AAA-rated securities with substantial credit support and seasoned vintages with relatively stronger qualitative characteristics.

	AAA	AA	A	BBB	<BBB
Pre-2004	$ 189.5	$ 29.4	$ 29.4	$ 4.0	$ -
2004	122.1	13.3	7.3	14.3	-
2005	279.4	17.8	9.4	4.0	7.0
2006	144.2	62.1	-	2.4	-
2007	291.1	-	-	-	-
2009	65.6	-	-	-	-
2010	-	12.5	-	-	-
Total BV	$ 1,091.9	$ 135.1	$ 46.1	$ 24.7	$ 7.0
Total MV	$ 1,162.7	$ 138.8	$ 44.0	$ 19.9	$ 3.5

CMBS at 12/31/10

CNO

($ millions)

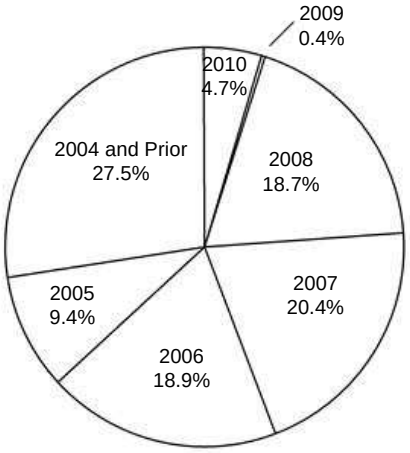
Rating	Market Value (mil.)	Book Value (mil.)	% of CMBS*	Avg. Support	Avg. 60+ Delinq.	Avg. Accum. Loss	% of Portfolio*
AAA	$1,162.7	$1,091.9	84.9%	28.6%	4.9%	0.7%	4.86%
AA	138.8	135.1	10.1%	19.4%	3.8%	0.0%	0.58%
A	44.0	46.1	3.2%	10.3%	2.5%	0.4%	0.18%
BBB	19.9	24.7	1.5%	8.9%	1.7%	0.4%	0.08%
<BBB	3.5	7.0	0.3%	5.4%	4.5%	0.3%	0.01%
Total	$1,368.9	$1,304.8	100.0%	26.7%	4.7%	0.6%	5.71%

- 5.7% of invested assets
- 99.5% NAIC 1 classification
- Negligible effect from Blackrock/NAIC rating process
- Collateral performing materially better than overall CMBS collateral universe in terms of delinquency and cumulative loss
- All securities evaluated using market-consistent estimates of collateral performance
- Substantial credit support inherent in structures relative to expected cumulative losses

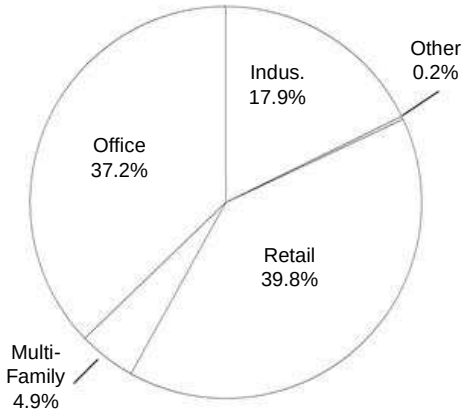
*% of market value

Commercial Mortgage Loans at 12/31/10 CNO

By Vintage



By Property Type



- Current LTV of approximately 60.1%
- Trailing debt service coverage ratio (DSCR) stable at approximately 1.41
- As of 12/31/10, 1 delinquent loan ($.1mm unpaid balance)

Summary

CNO

- Solid earnings continued in Q4
- Refinanced debt in Q4, provides more flexibility going forward
- Improvements being recognized
  - Credit rating upgrades
  - Reduction in tax valuation allowance
- Continued emphasis on profitable growth
  - 2011 first year of baby boomers turning 65
  - Adding 15 new locations for Bankers Life in 2011
  - Expanding PMA's recruiting capacity and sales management team

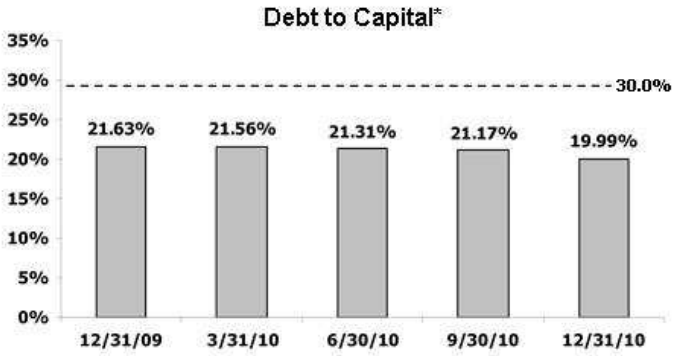
Questions and Answers

Appendix

Covenant Metrics

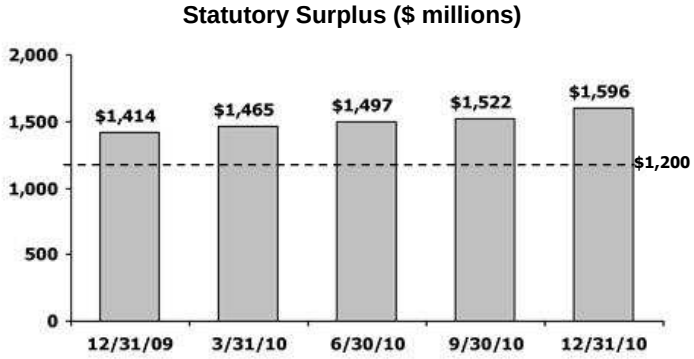
CNO

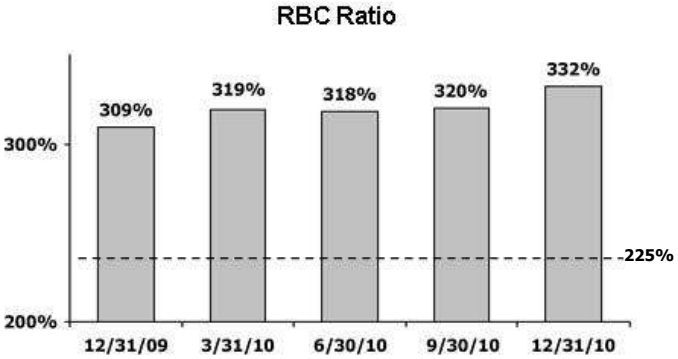
Levels reflect covenants per new agreement



Interest Coverage Ratio

- The ratio of available cash flow to interest expense must equal or exceed 2.0
- Covenant requirement begins 3/31/2011





*Excludes Accumulated Other Comprehensive Income (Loss), as defined by the senior credit facility

4Q10 Liquidity

CNO

($ millions)

Cash Balance 09/30/10	$190.1
Sources	
Issuance of Debt	630.6
Dividends from Insurance Subsidiary	15.0
Surplus Debenture Interest	12.3
Management and Investment Fees, Net	30.1
Total Sources	688.0
Uses	
Interest	23.7
Debt Repayments	677.1
Holding Company Expenses and Other	1.2
Capital Contributions	15.0
Total Uses	717.0
Cash Balance 12/31/2010	$161.1

Operating Return on Allocated Capital Computation*

($ millions)

Adjusted operating earnings for the purpose of calculating operating return on allocated capital is determined as follows:

For twelve months ended December 31, 2010	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Segment pre-tax operating earnings (a non-GAAP financial measure)	$ 284.1	$ 104.6	$ 26.5	$ (11.5)	$ (122.1)	$ 281.6
Adjustment to investment income to reflect capital at 275% RBC	(3.4)	(1.2)	0.3	2.4	1.9	-
Interest allocated on corporate debt	(39.3)	(16.7)	(5.5)	(17.9)	79.4	-
Income tax (expense) benefit	(87.0)	(31.2)	(7.6)	9.7	16.4	(99.7)
Adjusted operating earnings for purposes of calculating operating return on allocated capital	$ 154.4	$ 55.5	$ 13.7	$ (17.3)	$ (24.4)	$ 181.9

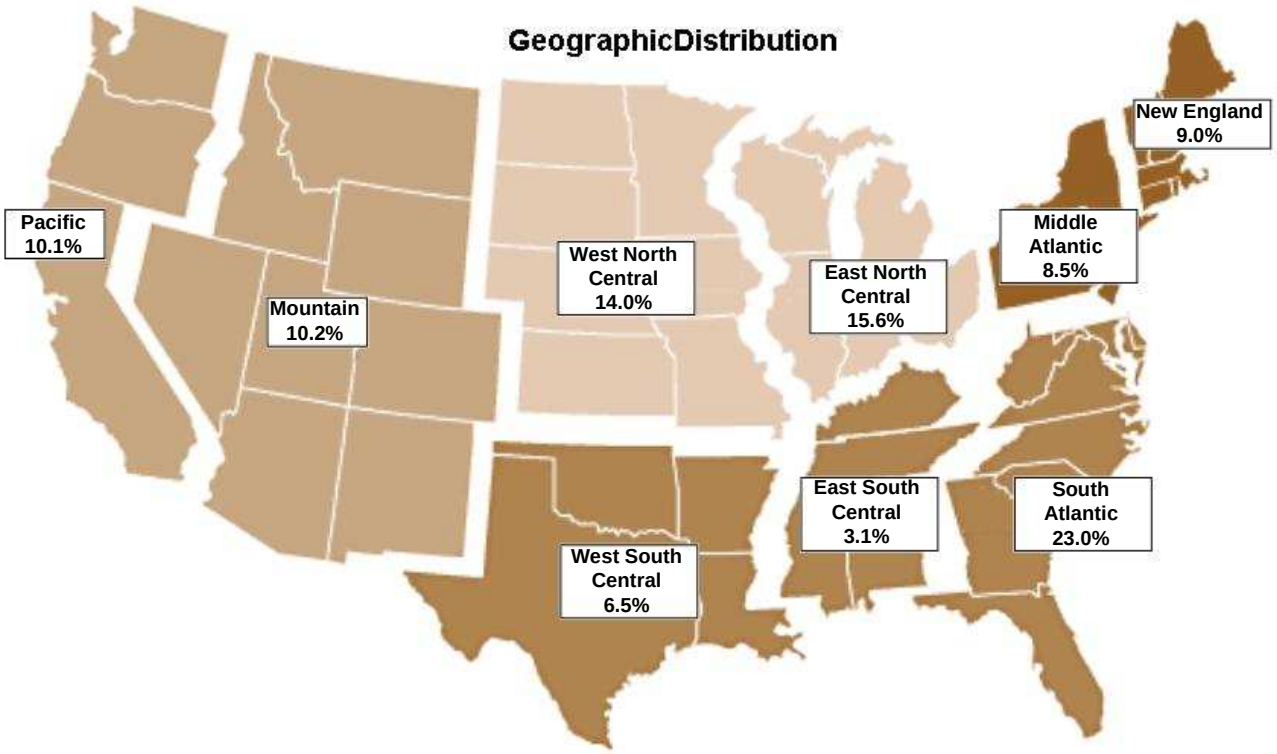
Allocated capital is calculated as follows:

Trailing 4 Quarter Average as of December 31, 2010	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Capital allocation based on 275% RBC	$ 1,811.4	$ 776.5	$ 250.0	$ 837.8	$ (627.2)	$ 3,048.5
Allocation of corporate debt	(506.6)	(217.3)	(70.2)	(234.5)	1,028.6	-
Allocated capital for the purpose of determining return on allocated capital	$ 1,304.8	$ 559.2	$ 179.8	$ 603.3	$ 401.4	$ 3,048.5

Operating Return on Allocated Capital:	11.8%	9.9%	7.6%	-2.9%	-6.1%	6.0%

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

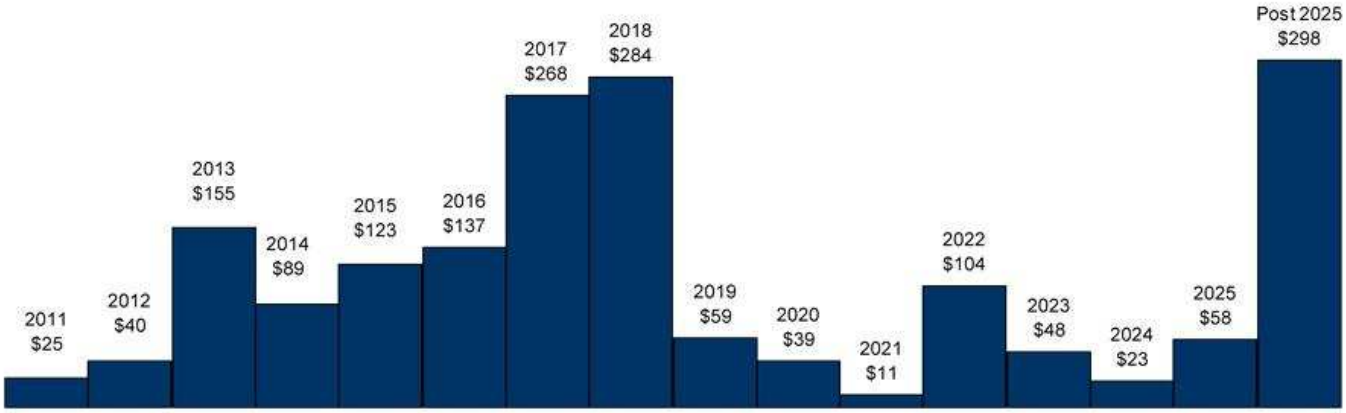
Commercial Mortgage Loans at 12/31/10 CNO



Commercial Mortgage Loans at 12/31/10 CNO

($ millions)

By Maturity

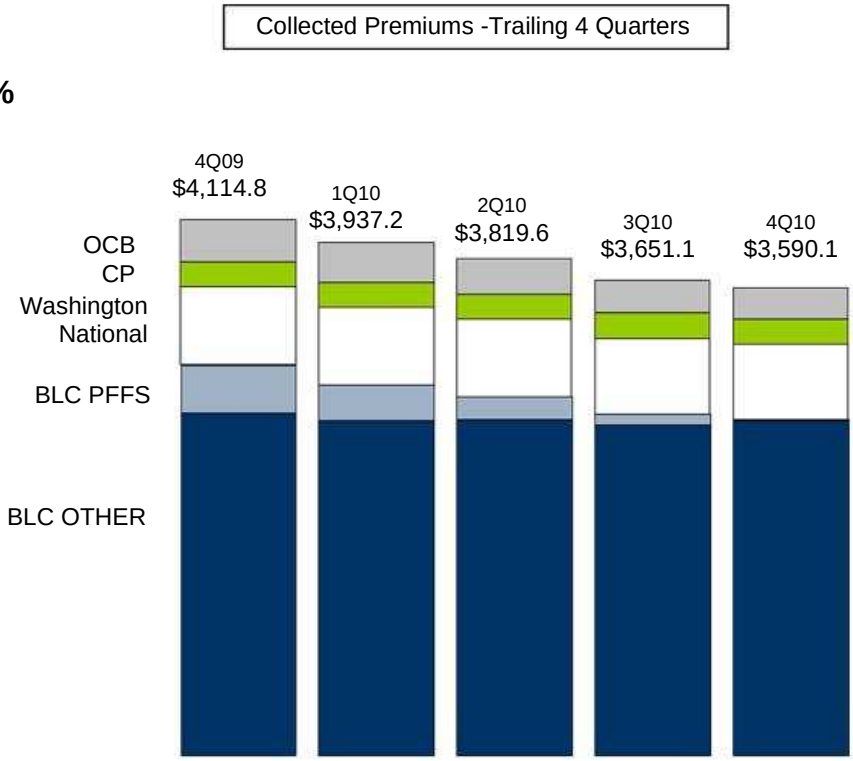


Collected Premiums

CNO

($ millions)

- **Trailing 4 quarters down 13%**
  - Decline at Bankers Life due primarily to termination of PFFS reinsurance contracts
  - Stable results at Colonial Penn
  - Slight decline at Washington National primarily due to Wilton Re transaction in 3Q09
  - Decline at OCB primarily due to Wilton Re transaction in 3Q09 and continued run-off of inforce blocks, as expected

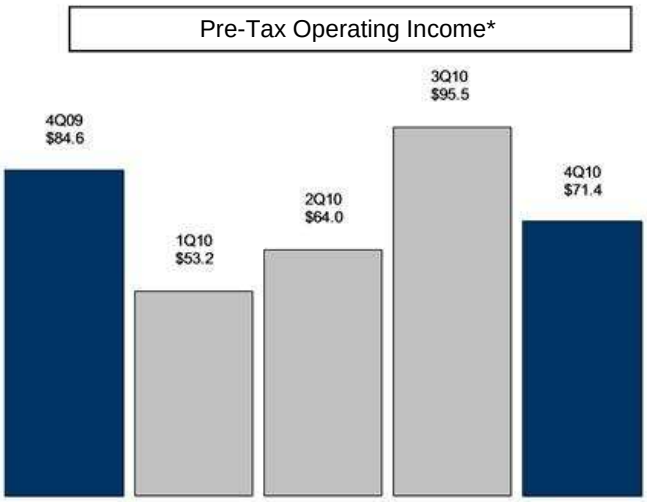


Segment Performance

($ millions)

Bankers Life

- **Earnings of $71.4 million, down 16%**
  - Results in 4Q10 were favorably impacted by $18 million increase from improved spreads and growth in the annuity block
  - Results in 4Q10 were unfavorably impacted by:
    - $4 million from unfavorable mortality
    - $3 million from unfavorable Med Supp persistency
  - Results in 4Q09 were favorably impacted by:
    - $11 million from PFFS business we assumed from Coventry, the last of which expired on January 1, 2010
    - $10 million due to positive development of long-term care reserves and the impact of policyholder actions following rate increases
    - A $6 million out-of-period correction



PTOI-Trailing 4 Quarters:	$278.0	$286.5	$287.2	$297.3	$284.1
Revenues-Quarterly:	$654.5	$584.4	$563.9	$617.2	$602.4
Revenues -Tr. 4 Quarters:	$2,647.5	$2,596.8	$2,497.9	$2,420.0	$2,367.9

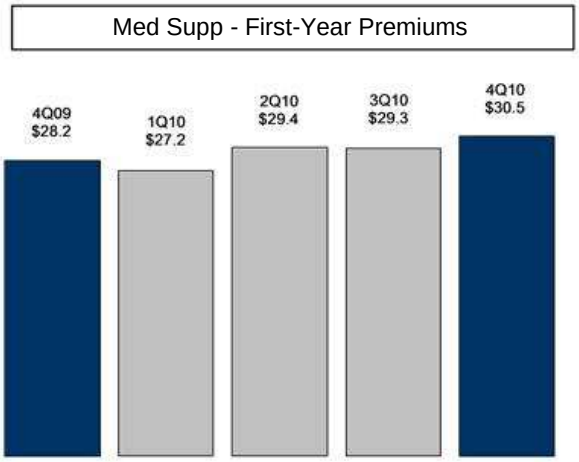
*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums - Med Supp

Bankers Life

($ millions)

- **First-year premiums up 8%**



Med Supp First-Year Prems.-Tr. 4 Qtrs:	$91.7	$99.2	$107.5	$114.1	$116.4
Med Supp Total Premiums-Quarterly:	$173.8	$176.6	$168.8	$170.1	$182.3
Med Supp NAP-Quarterly:	$56.8	$19.4	$21.0	$16.0	$31.8
Med Supp NAP-Trailing 4 Quarters:	$114.3	$115.3	$117.1	$113.2	$88.2

Policies issued and not included in NAP (net of chargebacks, in thousands):

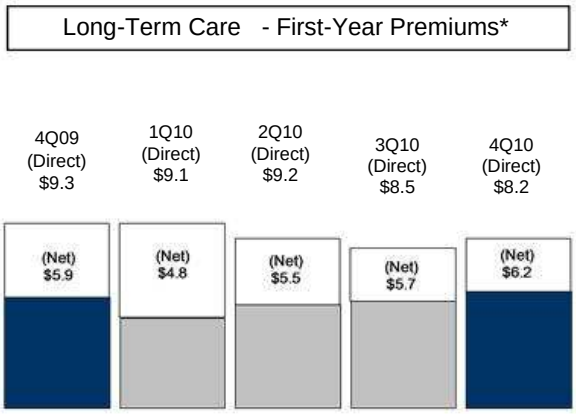
PFFS policies issued:	-1.0	22.8	-0.4	0.1	0.4
PDP policies issued:	1.3	8.0	0.3	1.0	0.4

Premiums - Long-Term Care

($ millions)

Bankers Life

- **Net first-year premiums* up 5%, reflecting reduction in new business reinsurance**



First-Year Prems.-Tr. 4 Qtrs:	$17.7	$18.3	$19.1	$21.9	$22.2
Total Premiums-Quarterly:	$149.5	$149.5	$146.6	$145.0	$143.5
NAP-Quarterly:	$8.3	$8.6	$8.7	$7.2	$6.7
NAP-Trailing 4 Quarters:	$35.4	$36.5	$35.4	$32.8	$31.2

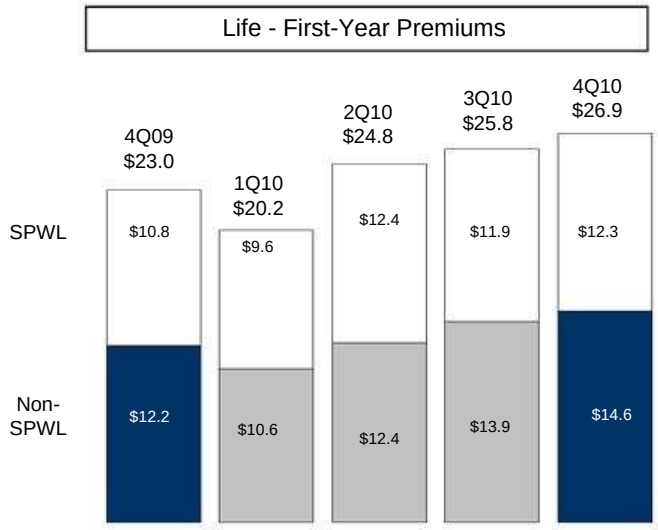
*Includes $3.4 million in 4Q09, $4.3 million in 1Q10, $3.7 million in 2Q10, $2.8 million in 3Q10 and $2.0 million in 4Q10 of premiums ceded under business reinsurance agreement.

Premiums - Life Insurance

Bankers Life

($ millions)

- **First year premiums up 17%**



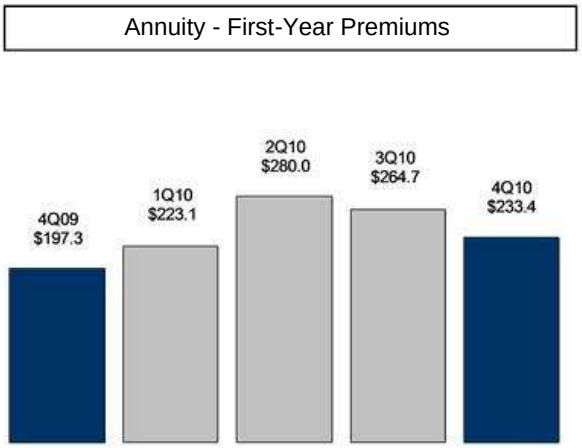
First-Year Prems.-Tr. 4 Qtrs:	$82.6	$86.0	$91.4	$93.8	$97.7
Total Premiums-Quarterly:	$61.4	$46.5	$52.1	$54.8	$56.2
NAP-Quarterly:	$13.7	$15.8	$17.3	$16.3	$15.9
NAP-Trailing 4 Quarters:	$57.7	$60.9	$62.6	$63.1	$65.3

Premiums - Annuity

($ millions)

Bankers Life

- **First-year premiums up 18%**



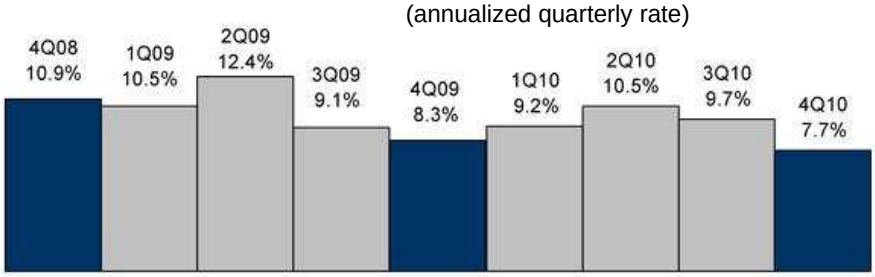
First-Year Prems.-Tr. 4 Qtrs:	$1,057.1	$979.1	$984.4	$965.1	$1,001.2
Total Premiums-Quarterly:	$198.2	$224.4	$281.1	$265.8	$234.4

Annuity Surrenders

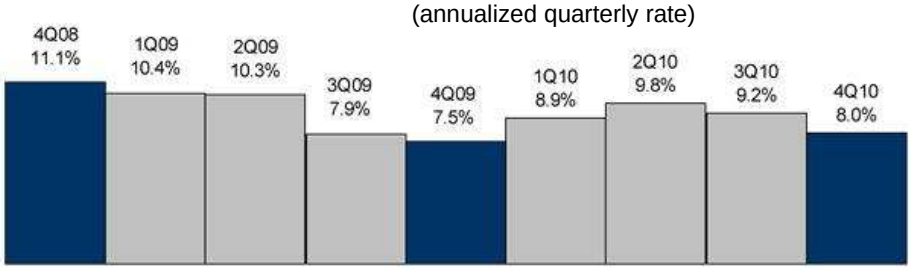
Bankers Life

- **Total account value:**
  - IAs - $1.9 billion
  - Non-IAs - $4.5 billion
- **Average account value:**
  - IAs - $1.9 billion
  - Non-IAs - $4.7 billion
- **Over 88% of our annuities are subject to surrender charge:**
  - IAs - 96%
  - Non-IAs - 85%

IA Surrenders
(annualized quarterly rate)



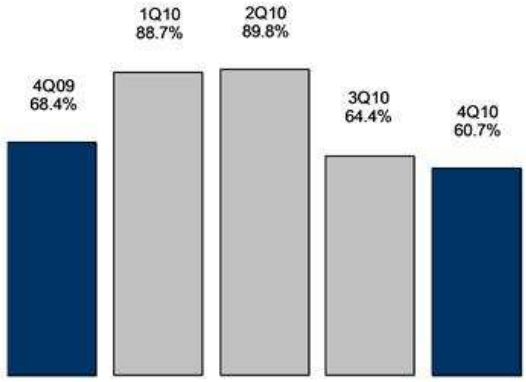
Non-IA Surrenders
(annualized quarterly rate)



Benefit Ratio* - PDP

Bankers Life

- **Down 7.7 points, impacted by improved pricing and plan design changes**

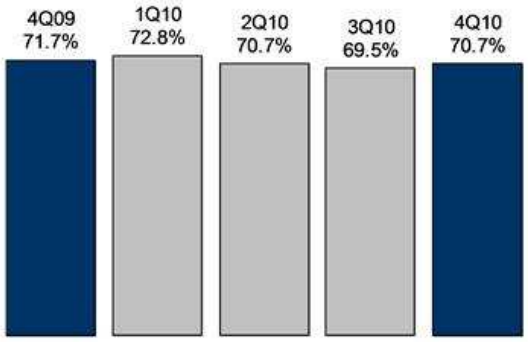


*We calculate benefit ratios by dividing insurance policy benefits by insurance policy income.

Benefit Ratio* - Med Supp

Bankers Life

- **4Q10 impacted by favorable claims experience**

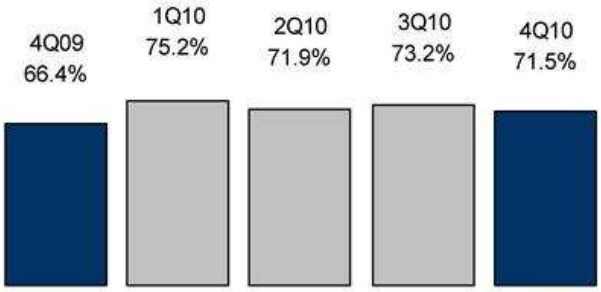


*We calculate benefit ratios by dividing insurance policy benefits by insurance policy income.

Interest-Adjusted Benefit Ratio* - LTC

Bankers Life

- **4Q09 reflects a reserve release due to positive development of reserves and the impact of policyholder actions following rate increases in 2009**

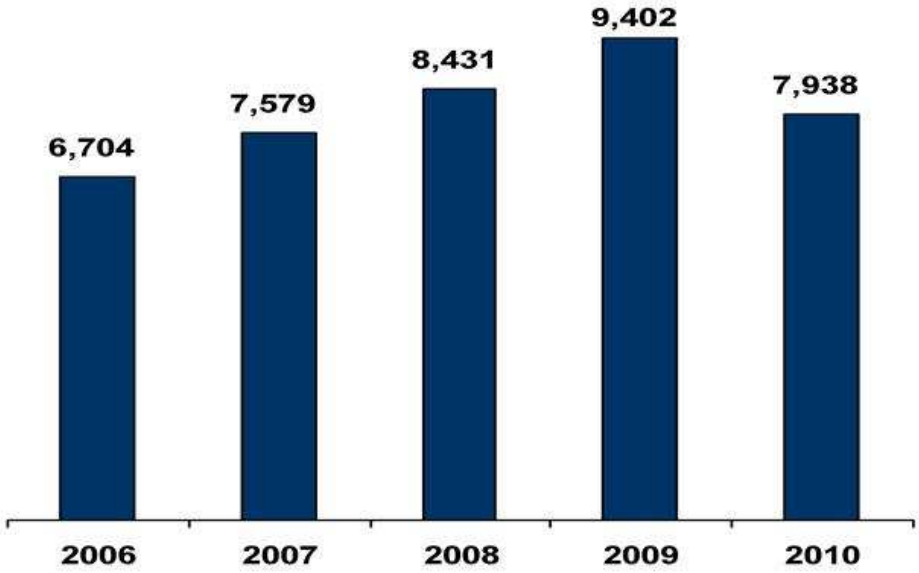


Trailing 4 Quarter Avg.:	67.9%	69.6%	71.0%	71.7%	73.0%
Qtrly. non-int. adjusted:	104.3%	114.4%	113.0%	114.2%	113.3%

*We calculate interest-adjusted benefit ratios by dividing insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income.

New Agent Contracts

Bankers Life



- Recruiting is down versus 2009, but comparable to pre-2009 levels
  - Recruiting trends similar to peers
  - 15 new locations planned in 2011

LTC Rate Increase

Bankers Life

Additional rate increase filings commenced on our LTC portfolio in October

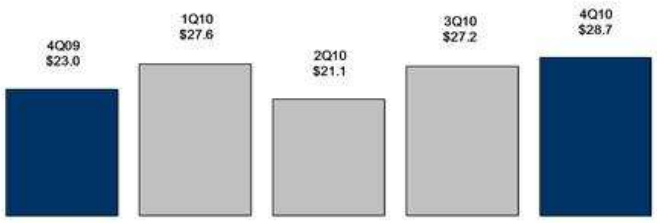
- We are filing for an additional increase on almost all plans sold between 2002 and 2005.
- For plans generally sold between 1992-2003, we are filing for an additional increase ONLY on policies with inflation protection.
- For these two blocks, premium increase filings are in progress:
  - We expect to implement rate increases of about $35 million after all states have approved, of which approximately $5.5 million of approvals had been received as of 12/31/10.

Segment Performance
($ millions)

Washington National

Pre-Tax Operating Income*

- **Earnings of $28.7 million, up 25%**
  - Reflects an increase in earnings from our supplemental health products due to growth in this block of business and lower claims



PTOI-Trailing 4 Quarters:	$110.9	$104.9	$100.8	$98.9	$104.6
Revenues-Quarterly:	$191.3	$191.1	$190.8	$191.6	$194.0
Revenues-Tr. 4 Quarters:	$788.3	$780.2	$771.4	$764.8	$767.5

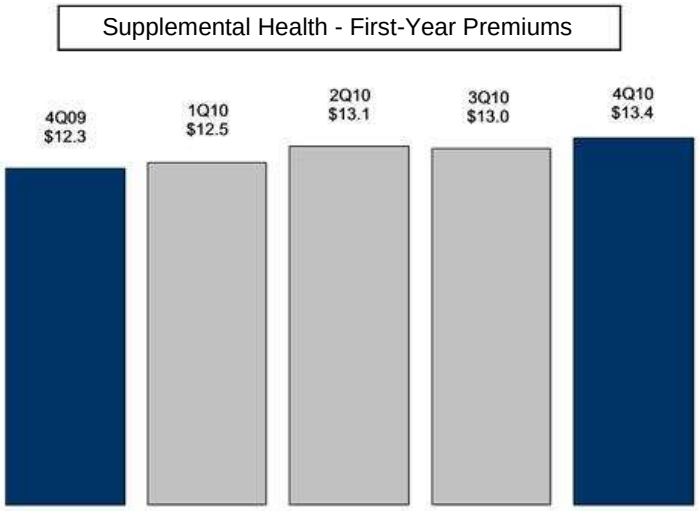
*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums - Supplemental Health

Washington National

($ millions)

- **NAP up 15%**
  - Increased focus on supplemental health products
  - Momentum increasing in Worksite market

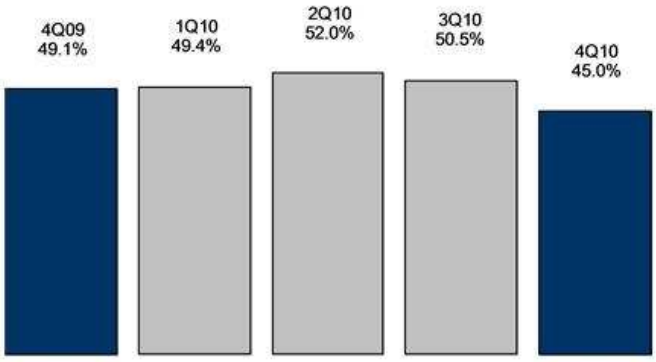


First-Year Prems.-Tr. 4 Qtrs:	$45.4	$47.7	$49.7	$50.9	$52.0
Total Premiums-Quarterly:	$99.0	$99.6	$100.2	$101.5	$104.2
NAP-Quarterly:	$15.2	$14.6	$17.5	$18.0	$17.5
NAP-Trailing 4 Quarters:	$57.5	$60.6	$63.4	$65.3	$67.6

Interest-Adjusted Benefit Ratio* - Supplemental Health Insurance

Washington National

- **Down 4.1 points vs. 4Q09 due to favorable claim experience**
- **Non-interest adjusted ratio 75.0% vs. 4Q09 82.0%**



Trailing 4 Quarter Avg.:	46.0%	47.8%	48.4%	50.3%	49.2%
Qtrly. non-int. adjusted:	82.0%	82.3%	83.2%	81.3%	75.0%

*We calculate interest-adjusted benefit ratios by dividing insurance policy benefits, less interest income on the accumulated assets backing the insurance liabilities, by insurance policy income.

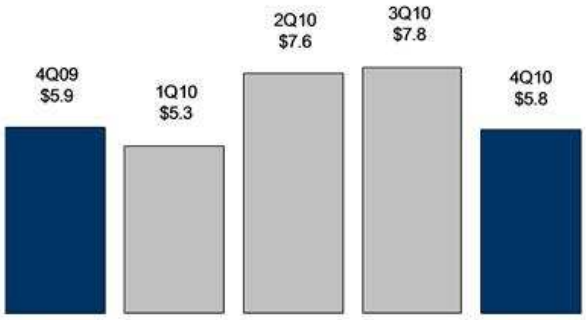
Segment Performance

($ millions)

Colonial Penn

- **Earnings of $5.8 million, down 1.7%**
  - Unfavorable mortality in life products
  - Substantially offset by increased earnings in core life products due to growth and higher investment yields

Pre-Tax Operating Income*



PTOI-Trailing 4 Quarters:	$29.4	$29.6	$26.2	$26.6	$26.5
Revenues-Quarterly:	$57.8	$58.1	$59.1	$58.9	$58.8
Revenues -Tr. 4 Quarters:	$235.7	$236.7	$233.1	$233.9	$234.9

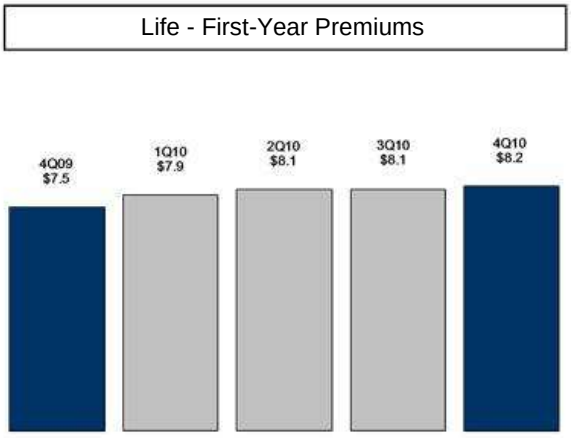
*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums - Life Insurance

($ millions)

Colonial Penn

- **Sales (NAP) up 13%**
- **YTD sales up 11%**
- **YTD lead generation up 35%**



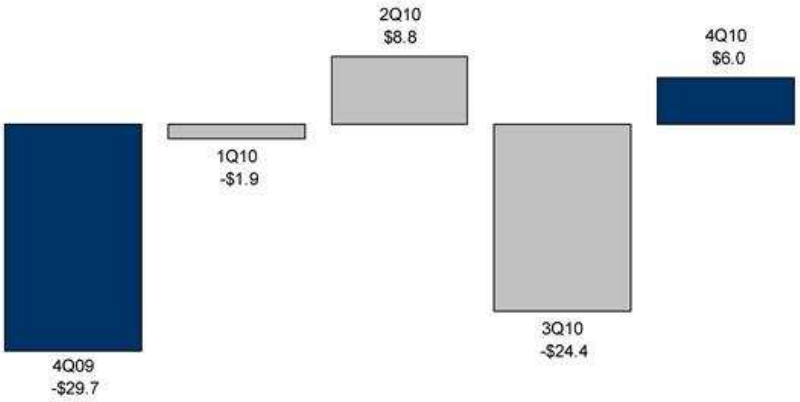
First-Year Prems.-Tr. 4 Qtrs:	$33.0	$31.7	$31.4	$31.6	$32.3
Total Premiums-Quarterly:	$48.9	$47.3	$46.7	$46.9	$46.8
NAP-Quarterly:	$8.4	$13.1	$12.2	$11.5	$9.5
NAP-Trailing 4 Quarters:	$41.9	$42.7	$44.3	$45.2	$46.3

Segment Performance
($ millions)

Other CNO Business

- **Earnings of $6.0 million compared to 4Q09 losses of $29.7 million**
  - Results in 4Q10 reflect favorable mortality in this segment's life block which increased earnings by $6 million
  - Results in 4Q09 were unfavorably impacted by:
    - Amortization of insurance intangibles of $15 million
    - Regulatory and legal settlements of $14 million

Pre-Tax Operating Income (Loss)*



PTOI-Trailing 4 Quarters:	$(43.6)	$(43.1)	$(30.3)	$(47.2)	$(11.5)
Revenues-Quarterly:	$166.4	$167.4	$153.6	$172.2	$169.3
Revenues-Tr. 4 Quarters: :	$712.3	$699.7	$670.4	$659.6	$662.5

*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

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 loss on extinguishment or modification of debt, net realized gains or losses 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 loss on extinguishment or modification of debt, realized investment gains or losses and increases or decreases to our valuation allowance for deferred tax assets are unrelated to the Company's continuing operations.

Information Related to Certain Non-GAAP Financial Measures

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

	4Q09	1Q10	2Q10	3Q10	4Q10
Net income applicable to common stock	$ 18.2	$ 33.9	$ 33.1	$ 49.4	$ 168.2
Net realized investment (gains) losses, net of related amortization and taxes	2.5	3.1	11.2	(2.3)	(24.1)
Valuation allowance for deferred tax assets	3.0	-	-	-	(95.0)
Loss on extinguishment or modification of debt	8.3	1.2	0.6	-	2.6
Net operating income (a non-GAAP financial measure)	$ 32.0	$ 38.2	$ 44.9	$ 47.1	$ 51.7
Per diluted share:					
Net income	$ 0.09	$ 0.13	$ 0.12	$ 0.17	$ 0.56
Net realized investment (gains) losses, net of related amortization and taxes	0.01	0.01	0.04	(0.01)	(0.08)
Valuation allowance for deferred tax assets	0.01	-	-	-	(0.31)
Loss on extinguishment or modification of debt	0.04	-	-	-	0.01
Net operating income (a non-GAAP financial measure)	$ 0.15	$ 0.14	$ 0.16	$ 0.16	$ 0.18

Information Related to Certain Non-GAAP Financial Measures

Book value, excluding accumulated other comprehensive income (loss), per share

This non-GAAP financial measure differs from book value per share because accumulated other comprehensive income (loss) has been excluded from the book value used to determine the 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 from book value per share to book value per share, excluding accumulated other comprehensive income (loss) is as follows (dollars in millions, except per share amounts):

	4Q09	1Q10	2Q10	3Q10	4Q10
Total shareholders' equity	$ 3,532.4	$ 3,720.1	$ 4,182.8	$ 4,604.3	$ 4,325.3
Less accumulated other comprehensive income (loss)	(264.3)	(103.0)	318.8	688.1	238.3
Total shareholders' equity excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure)	$ 3,796.7	$ 3,823.1	$ 3,864.0	$ 3,916.2	$ 4,087.0
Shares outstanding for the period	250,786,216	250,929,801	251,044,745	251,046,412	251,084,174
Book value per share	$ 14.09	$ 14.83	$ 16.66	$ 18.34	$ 17.23
Less accumulated other comprehensive income (loss)	(1.05)	(0.41)	1.27	2.74	0.95
Book value, excluding accumulated other comprehensive income (loss), per share (a non-GAAP financial measure)	$ 15.14	$ 15.24	$ 15.39	$ 15.60	$ 16.28

Information Related to Certain Non-GAAP Financial Measures

Operating return measures

Management believes that an analysis of return before loss on extinguishment or modification of debt, net realized gains or losses, 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 loss on extinguishment or modification of debt, realized investment gains or losses, and increases to our valuation allowance for deferred tax assets are unrelated to the Company's continued operations.

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 December 31, 2010, are as follows (dollars in millions):

	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Segment operating return for purposes of calculating operating return on allocated capital	$ 154.4	$ 55.5	$ 13.7	$ (17.3)	$ (24.4)	$ 181.9
Net income						$ 284.6
Trailing 4 Quarter Average as of December 31, 2010						
Allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	$ 1,304.8	$ 559.2	$ 179.8	$ 603.3	$ 401.4	$ 3,048.5
Common shareholders' equity						$ 4,109.1
Operating return on allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	11.8%	9.9%	7.6%	-2.9%	-6.1%	6.0%
Return on equity						6.9%

(Continued on next page)

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of pretax operating earnings (a non-GAAP financial measure) to segment operating return (loss) and consolidated net income (loss) for the year ended December 31, 2010, is as follows (dollars in millions):

	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Segment pretax operating earnings (a non-GAAP financial measure)	$ 284.1	$ 104.6	$ 26.5	$ (11.5)	$ (122.1)	$ 281.6
Adjustment to investment income to reflect capital at 275%	(3.4)	(1.2)	0.3	2.4	1.9	-
Interest allocated on corporate debt	(39.3)	(16.7)	(5.5)	(17.9)	79.4	-
Income tax (expense) benefit	(87.0)	(31.2)	(7.6)	9.7	16.4	(99.7)
Segment operating return for purposes of calculating operating return on allocated capital	$ 154.4	$ 55.5	$ 13.7	$ (17.3)	$ (24.4)	181.9
Net realized investment gains, net of related amortization and taxes						12.1
Loss on extinguishment of debt						(4.4)
Valuation allowance for deferred tax assets						95.0
Net income						$ 284.6

(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):

(Continued from previous page)

	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Trailing 4 Quarter Average as of December 31, 2010						
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)	$ 1,304.8	$ 559.2	$ 179.8	$ 603.3	$ 401.4	$ 3,048.5
Net operating loss carryforwards	-	-	-	-	837.9	837.9
Accumulated other comprehensive income (loss)	136.8	25.5	14.5	54.2	(8.3)	222.7
Adjustment to reflect capital at 275% RBC	41.9	11.6	(3.9)	(46.6)	(3.0)	-
Allocation of corporate debt	506.9	217.3	69.8	234.5	(1,028.5)	-
Common shareholders' equity	$ 1,990.4	$ 813.6	$ 260.2	$ 845.4	$ 199.5	$ 4,109.1

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Information Related to Certain Non-GAAP Financial Measures

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

(Continued from previous page)

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Average
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	$ 2,929.1	$ 2,966.8	$ 3,025.9	$ 3,119.2	$ 3,233.9	$ 3,048.5
Net operating loss carryforwards	867.5	856.3	838.1	797.0	853.1	837.9
Accumulated other comprehensive income (loss)	(264.2)	(103.0)	318.8	688.1	238.3	222.7
Common shareholders' equity	$ 3,532.4	$ 3,720.1	$ 4,182.8	$ 4,604.3	$ 4,325.3	$ 4,109.1

Information Related to Certain Non-GAAP Financial Measures

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

This non-GAAP financial measure 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. In addition, debt is defined as par value plus accrued interest and certain other items. Management believes this non-GAAP financial measure is useful as the level of such ratio impacts certain provisions in our Senior Secured Credit Agreement.

A reconciliation of the debt to capital ratio to debt to capital, as defined in our Senior Secured Agreement is as follows (dollars in millions)

	4Q09	1Q10	2Q10	3Q10	4Q10
Corporate notes payable	$ 1,037.4	$ 1,037.2	$ 1,029.4	$ 1,029.8	$ 998.5
Total shareholders' equity	3,532.4	3,720.1	4,182.8	4,604.3	4,325.3
Total capital	4,569.8	4,757.3	5,212.2	5,634.1	5,323.8
Corporate debt to capital	22.70%	21.80%	19.75%	18.28%	18.76%
Corporate notes payable	$ 1,037.4	$ 1,037.2	$ 1,029.4	$ 1,029.8	$ 998.5
Add unamortized discount on debt	7.7	7.9	15.7	15.3	19.5
Par value of notes payable	1,045.1	1,045.1	1,045.1	1,045.1	1,018.0
Interest payable and other items	2.8	5.5	1.5	6.5	3.1
Debt as adjusted	1,047.9	1,050.6	1,046.6	1,051.6	1,021.1
Total shareholders' equity	3,532.4	3,720.1	4,182.8	4,604.3	4,325.3
Less accumulated other comprehenxive (income) loss	264.3	103.0	(318.8)	(688.1)	(238.3)
Total capital	$ 4,844.6	$ 4,873.7	$ 4,910.6	$ 4,967.8	$ 5,108.1
Debt to total capital ratio, as defined in our Senior Secured Credit Agreement (a non-GAAP financial measure)	21.63%	21.56%	21.31%	21.17%	19.99%