

CNO FINANCIAL GROUP, INC.

FORM 8-K

(Current report filing)

Filed 09/09/11 for the Period Ending 09/09/11

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
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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): **September 9, 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))
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Item 7.01. Regulation FD Disclosure.

On September 9, 2011, CNO Financial Group, Inc. (the "Company") issued information to be used in connection with the Barclays Capital 2011 Global Financial Services Conference to be held on September 13, 2011. A copy of this information is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained 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 material is furnished as an exhibit to this Current Report on Form 8-K:

99.1 Presentation for the Barclays Capital 2011 Global Financial Services Conference.

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: September 9, 2011

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



CNO Financial Group: An Overview

September 13, 2011





CNO FINANCIAL GROUP

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; earnings before net realized investment gains (losses) and corporate interest 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.

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.

The Company: CNO Financial Group

- Focused on serving the protection needs of the fast-growing but underserved middle income and senior markets
- Products include supplemental health, Medicare supplement, life, annuity and long-term care
- Products sold through efficient, growing distribution channels:
 - Bankers Life: strong career agent franchise
 - Washington National: wholly-owned distributor (PMA) and independent agents
 - Colonial Penn: direct distribution platform
- Centralized services operation to add value to all units
- Over 3.9 million policies in force

Value Through Growth and Execution

The Opportunity: Rapidly Growing, Underserved Market

- Our focus is meeting the needs of fast-growing senior market

- Attractive demographics: Baby Boomers reaching retirement age
 - The first of Boomer population becoming Medicare-eligible this year
 - In twenty years, percentage of population 65 years old and older is projected to increase by 50%
 - Financial downturn underscored importance of risk management and guaranteed products

The senior middle income market is attractive; we know it well, pursue it full time, and we represent a pure play in this market

Broad Distribution Reach

Career



- Focused on middle-income senior market with Medicare supplement, life, annuity, LTC, Medicare Part D and Medicare Advantage products
- “Kitchen-table” sales model through over 5,000 career agents and sales managers; grown producers by 28% since 2004
- 240+ locations nationwide

PMA/Independent



- Focused on middle-income working Americans in Worksite and Individual markets with supplemental health and life insurance products
- Serving approximately 1 million policyholders and over 20,000 groups; e.g. small business, education, government, and healthcare
- Distribution through over 2,000 independent agents in 2 sales channels; PMA (a wholly-owned distributor) and WNIC Independent.

Direct



- Focused on lower middle-income retirees with simple, low-cost life insurance products
- Direct response model with media and mail-based lead generation with robust telemarketing support

CNO: The right products and the right channels for today's middle-market consumer

Strong trends are driving middle-market consumers

- Rising medical costs
- Decline of societal safety nets (government and employer)
- Increased longevity
- Greater awareness of need for retirement planning



CNO has expertise across important middle-market products

- Fixed and Fixed-Index Life and Annuity Products
- Long-Term Care
- Medicare Supplement
- Whole and Universal life products
- Final expense
- Supplemental Health

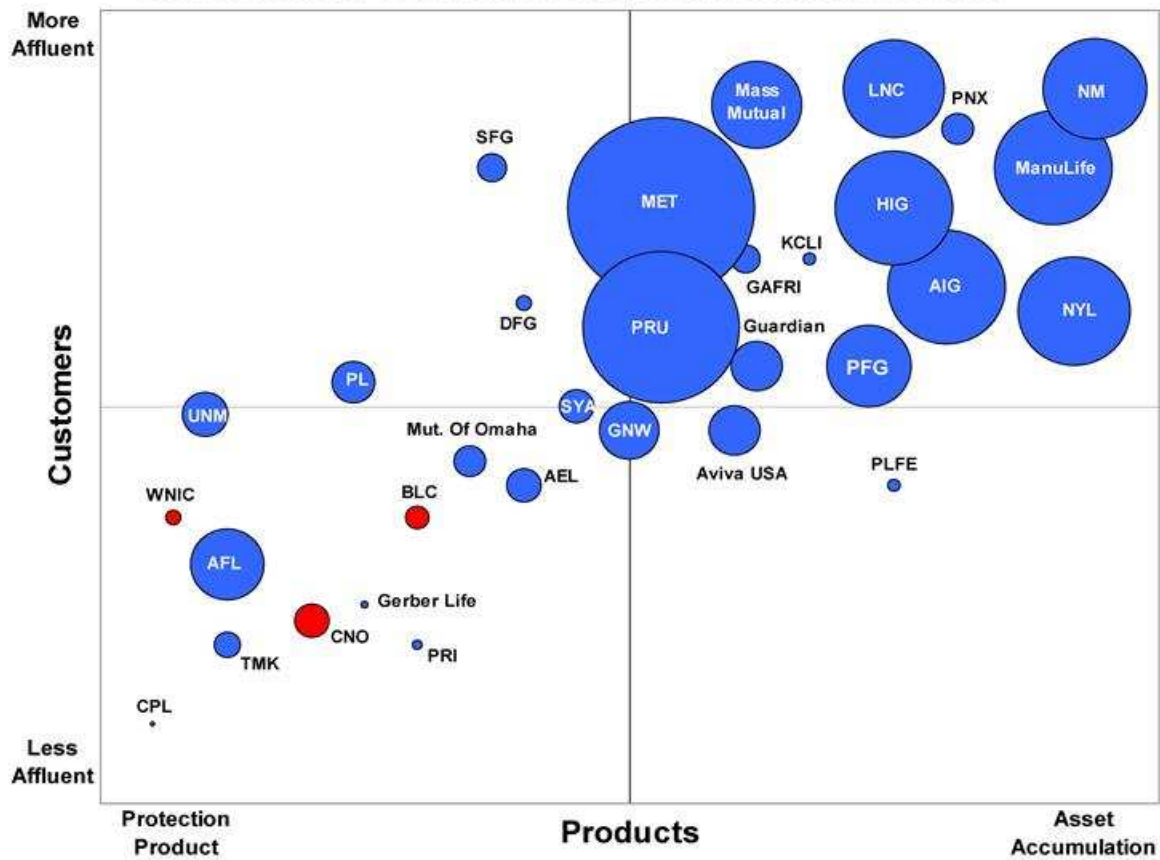


CNO can access consumers across multiple channels

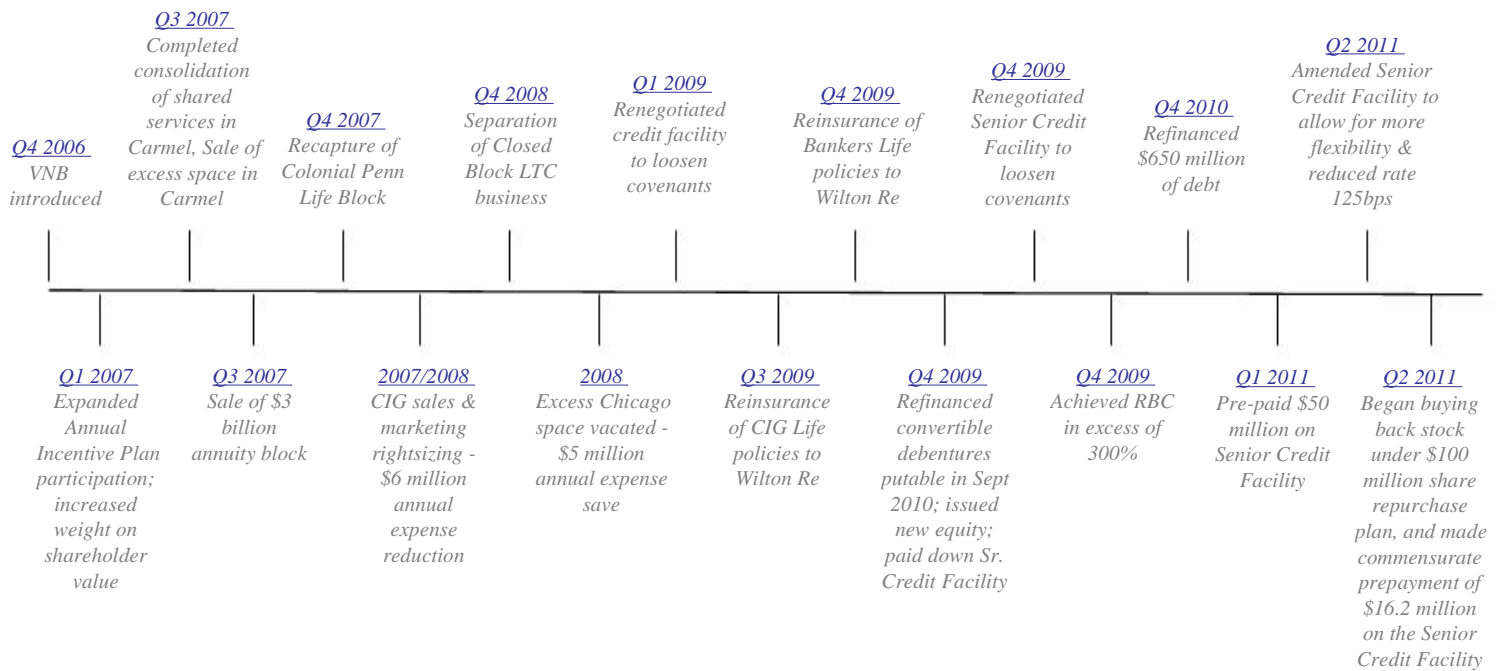
- **With an Agent** (Retail)
 - Bankers
 - Washington National
 - PMA (CNO-owned)
 - Independents
- **Without an Agent** (Direct)
 - Colonial Penn
- **At Work** (Worksite Marketing)
 - PMA Worksite Division
 - Washington National - Independents

Few competitors in our target space

Relative company size based on total admitted assets as of 12/31/10



CNO - Timeline of Management Actions



Results Demonstrate CNO's potential

- 2Q2011 marks tenth consecutive quarter of GAAP net income
- Statutory Operating Earnings (net of tax):
 - \$180.1 million for the first half of 2011
 - Up 111% over 1H2010
- Financial strength as of 6/30/2011:
 - Consolidated RBC* at 351%
 - Liquidity at the holding company of \$234 million
 - Debt to total capitalization** at 18.7%
- Continued focus on profitable growth
 - 2010 EBIT*** up 7% over 2009
 - 1H2011 EBIT up 24% over 1H2010
- Results recognized with credit rating upgrades from four rating agencies

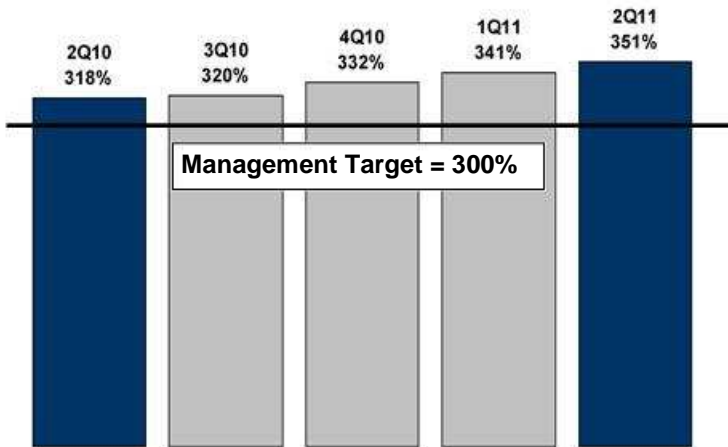
* Risk-Based Capital ("RBC") requirements provide a tool for insurance regulators to determine the levels of statutory capital and surplus an insurer must maintain in relation to its insurance and investment risks. The RBC ratio is the ratio of the statutory consolidated adjusted capital of our insurance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

Excess Capital

(\$ millions)

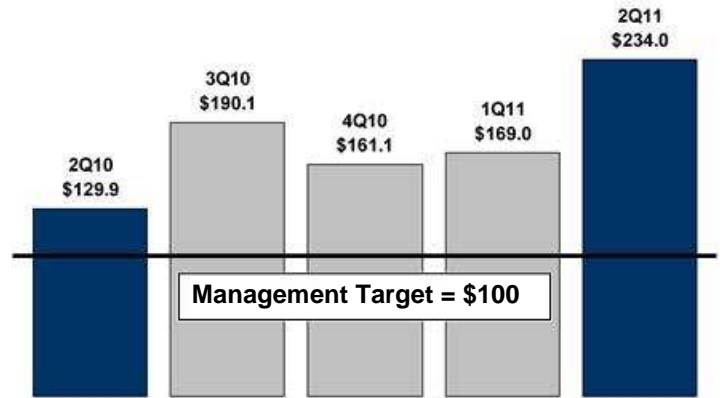
Approximately \$375 million total excess capital as of 6/30/11

Consolidated RBC Ratio



Approximately \$241 million in excess of management target

Liquidity



\$134 million in excess of management target

Statutory Earnings Power

(\$ millions)



Excess Capital Utilization Opportunities

- Debt Prepayment
- Share Buybacks
- Investing in Business for Additional Growth
 - Growth and expansion of distribution channels
 - New COO role to leverage organic growth opportunities
 - Recapture reinsurance blocks
- Build Holding Company Investment Portfolio
 - Utilize non-life operating loss carryforward

Share Repurchase & Debt Prepayment

- **2Q Activity**
 - Purchased 2.2 million shares during 2Q 2011 for \$16.2 million
 - Average cost per share of \$7.35
 - 0.9% of outstanding shares at March 31, 2011
 - Principal prepayment of \$16.2 million made on Senior Secured Credit Facility on June 30, 2011
 - Payment reduced scheduled principal amount due on September 30, 2016
 - Resulted in a 0.2% decrease in debt to total capital as defined in our Senior Secured Credit Agreement

- **3Q Activity**
 - Through August 26, 2011, purchased 3.7 million shares for \$22.9 million
 - Average cost per share of \$6.22
 - 1.5% of outstanding shares at June 30, 2011
 - Proforma debt to total capital as (defined in our Senior Secured Credit Agreement) at June 30, 2011 would reduce to 18.5% from 18.7%
 - A principal prepayment will be made at the end of the third quarter of the same amount as the share repurchases in the quarter

Next scheduled principal payment under the facility of \$10 million is not due until September 30, 2012

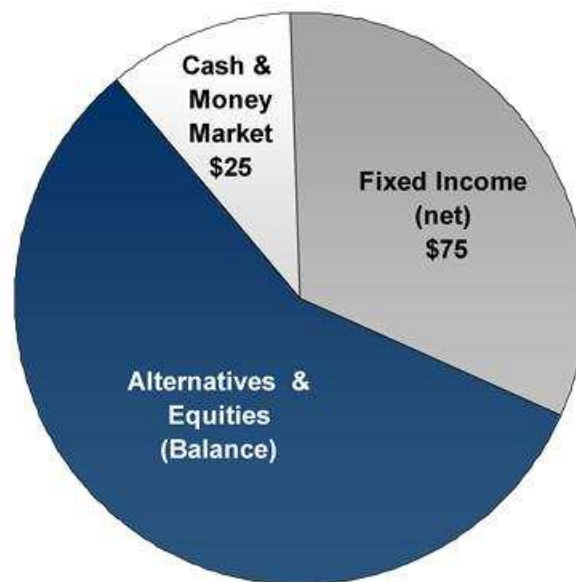
Holding Company Investments at 6/30/11

(\$ millions)

Current Investments

Cash and Money Market	\$130.9
Fixed Income (net)	17.6
Equities	12.9
Alternatives*	72.6
TOTAL	<u>\$234.0</u>

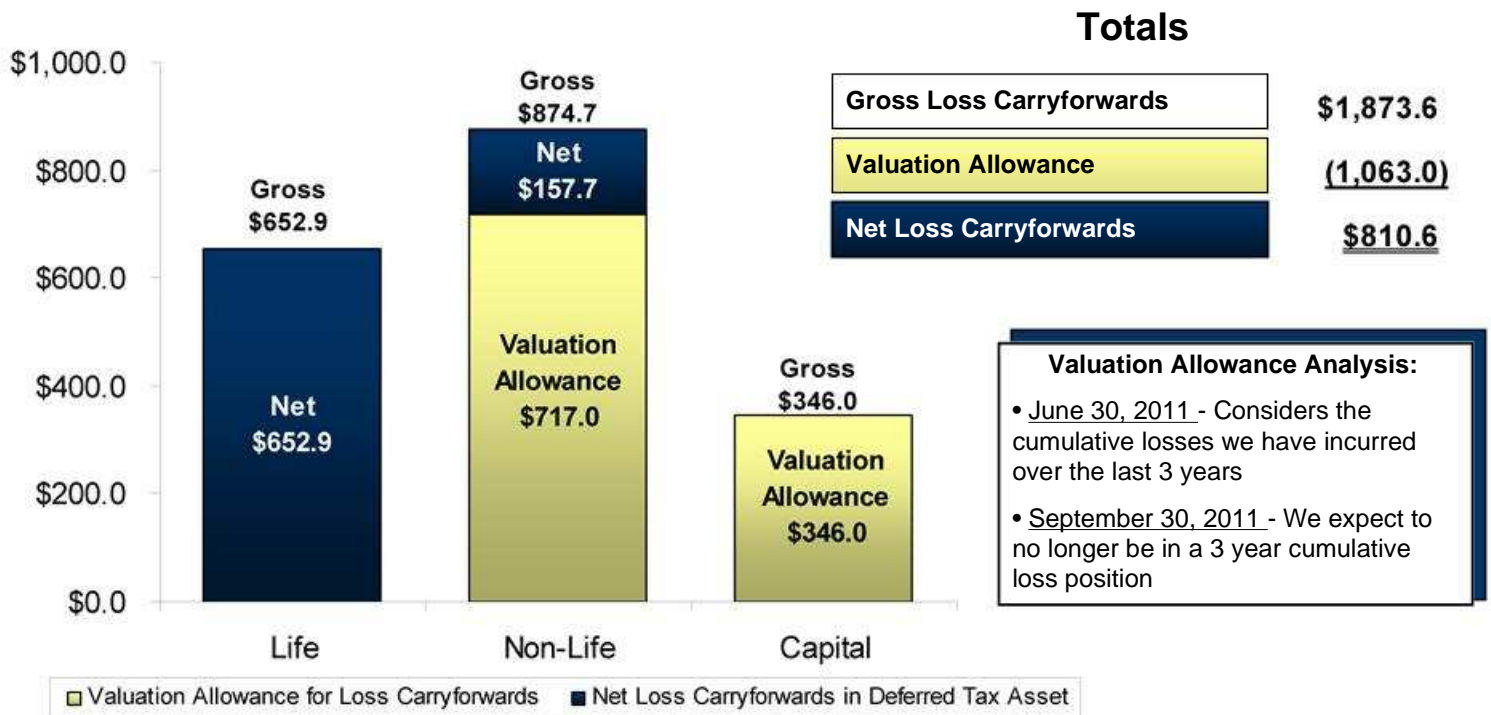
Target Allocation



* Includes \$25 Paulson investment made 7/1/2011; excluded from cash and money market

GAAP Balances for Deferred Tax Asset as of 6/30/11: Loss Carryforwards - Gross ¹ vs. Net ²

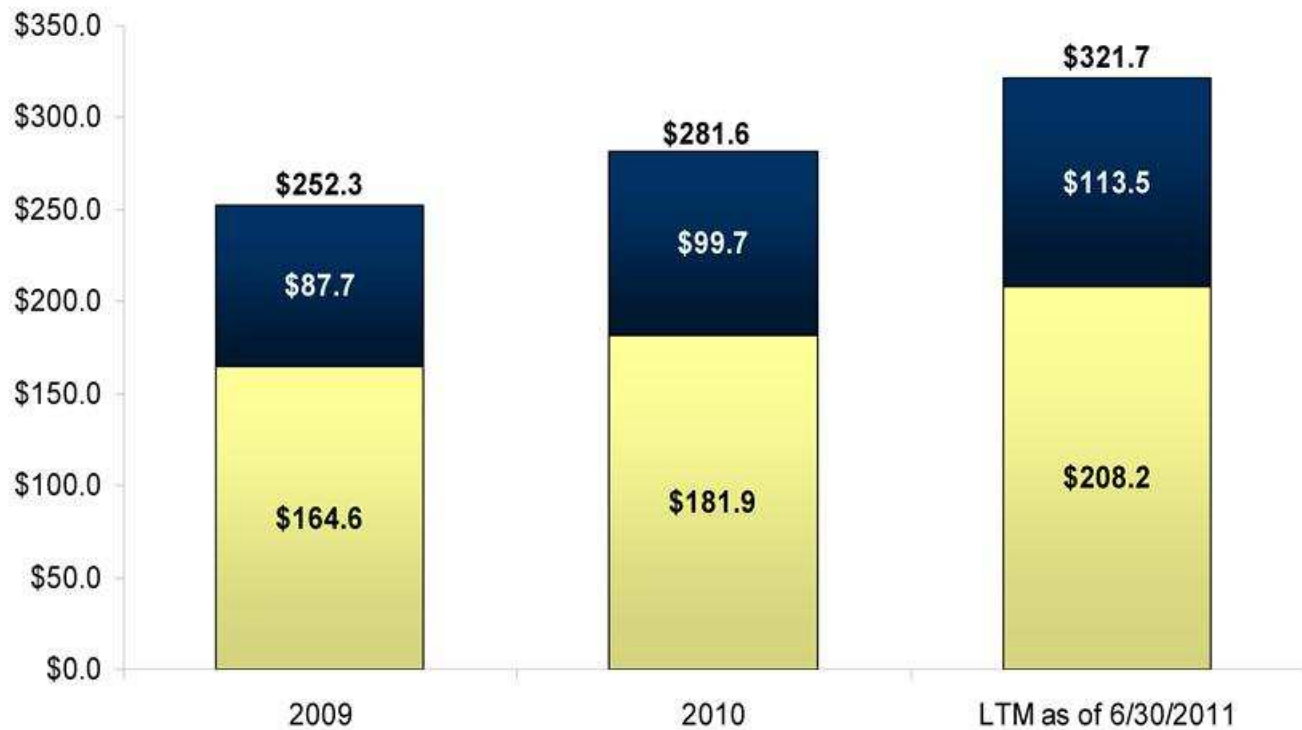
(\$ millions)



1. Gross loss carryforward equals the total life (including state operating loss carryforwards), non-life, and capital loss carryforwards multiplied by a 35% tax rate
2. Net loss carryforward equals the gross loss carryforward net of the allowance

Pre/After Tax GAAP Operating Income

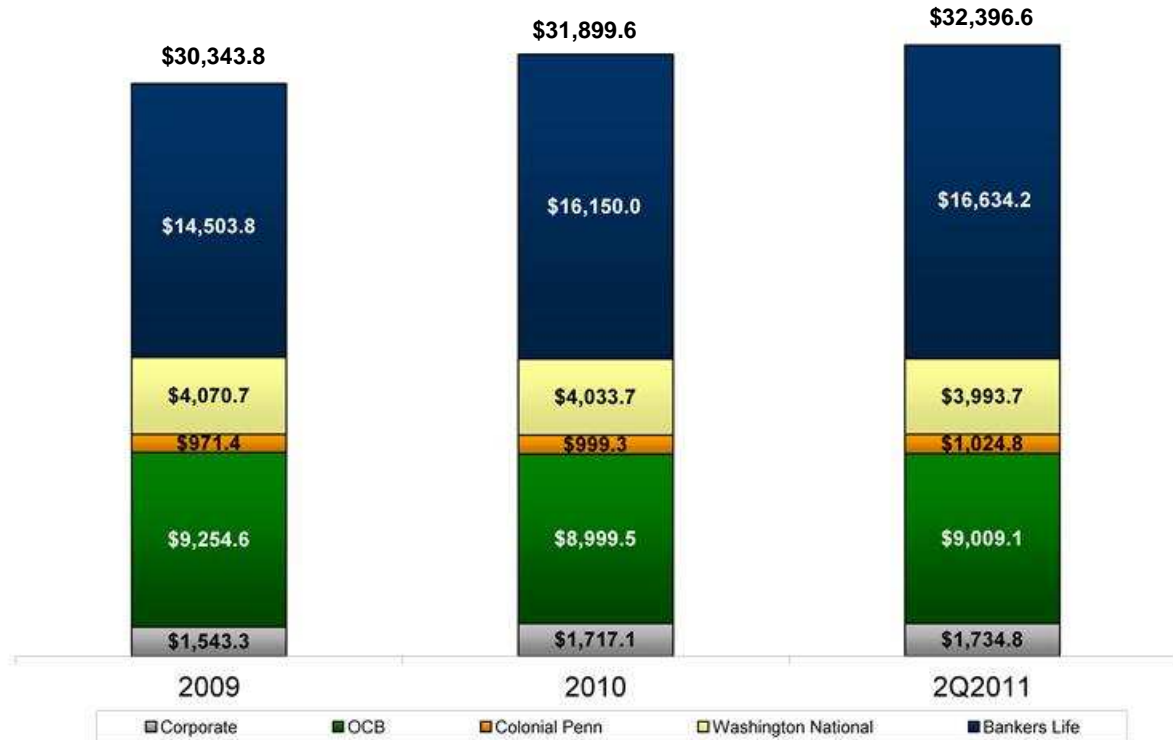
(\$ millions)



Growth in Business

(\$ millions)

Total assets continue to grow with a CAGR of 4.5% since 12/31/2009



Summary

- **Core business continues to perform well**
 - Solid, stable, growing earnings
 - Key measures of financial strength continue to improve
- **CEO transition and new COO role**
- **Capital generation creates unique opportunities**
 - Generating significant amounts of excess capital
 - Moving more excess capital to holding company to generate more non-life income and utilize operating loss carryforwards
 - Repurchased 5.9 million shares as of August 26, 2011 for an aggregate purchase price of \$39.1 million
 - Made related debt prepayment of \$16.2 million at the end of 2Q and will be making a prepayment for the 3Q activity on September 30, 2011
- **Continue emphasis on profitable organic growth**
 - 2011 first year baby boomers begin turning 65
 - Adding 15 new locations for Bankers Life in 2011
 - Created COO role to focus on growth initiatives



CNO FINANCIAL GROUP

Questions and Answers





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Appendix

Certain Non-GAAP Financial Measures



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 "Investor - SEC Filings" section of our website, www.CNOinc.com.

Operating earnings measures

Management believes that an analysis of net income applicable to common stock before discontinued operations, loss on extinguishment or modification of debt, net realized gains or losses and increases 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 discontinued operations, 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 continuing operations.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of earnings before net realized investment gains (losses), corporate interest, loss on extinguishment or modification of debt and taxes ("EBIT") to net income is as follows (dollars in millions):

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009
Bankers Life	\$ 148.6	\$ 117.2	\$ 284.1	\$ 278.0
Washington National	47.9	48.7	104.6	110.9
Colonial Penn	13.0	12.9	26.5	29.4
Other CNO Business	11.9	6.9	(11.5)	(43.6)
Corporate operations, excluding interest expense	(11.8)	(16.8)	(42.8)	(37.7)
Total EBIT	209.6	168.9	360.9	337.0
Corporate interest expense	(39.9)	(39.3)	(79.3)	(84.7)
Income before net realized investment gains (losses) and taxes	169.7	129.6	281.6	252.3
Tax expense on period income	60.3	46.5	99.7	87.7
Net operating income	109.4	83.1	181.9	164.6
Loss on extinguishment or modification of debt, net of income taxes	(1.3)	(1.8)	(4.4)	(14.4)
Net realized investment gains (losses)	5.3	(14.3)	12.1	(41.5)
Net income before valuation allowance for deferred tax assets	113.4	67.0	189.6	108.7
(Increase) decrease in valuation allowance for deferred tax assets	-	-	95.0	(23.0)
Net income	\$ 113.4	\$ 67.0	\$ 284.6	\$ 85.7

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)

	<u>2Q11</u>
Corporate notes payable	\$ 934.5
Total shareholders' equity	<u>4,563.2</u>
Total capital	<u>5,497.7</u>
Corporate debt to capital	<u>17.0%</u>
<hr/>	
Corporate notes payable	\$ 934.5
Add unamortized discount on debt	<u>17.3</u>
Par value of notes payable	951.8
Interest payable and other items	<u>14.2</u>
Debt as adjusted	966.0
Total shareholders' equity	4,563.2
Less accumulated other comprehensive income	<u>(372.7)</u>
Total capital	<u>\$ 5,156.5</u>
Debt to total capital ratio, as defined in our Senior Secured Credit Agreement (a non-GAAP financial measure)	18.7%

