CNO FINANCIAL GROUP, INC.

FORM 8-K
(Current report filing)

Filed 05/03/11 for the Period Ending 05/03/11

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): **May 3, 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 May 3, 2011, CNO Financial Group, Inc. issued additional financial information related to its financial and operating results for the quarter ended March 31, 2011, 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 material is furnished as an exhibit to this Current Report on Form 8-K:

99.1 First Quarter 2011 Financial and Operating Results for the period ended March 31, 2011.

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: May 3, 2011

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

Exhibit 99.1

CNO FINANCIAL GROUP

1Q11

Financial and operating results for the period ended March 31, 2011

May 3, 2011

Unless otherwise specified, comparisons in this presentation are between 1Q11 and 1Q10.

Forward-Looking Statements

Cautionary Statement Regarding Forward-Looking Statements. *Our statements, trend analyses and other information contained in these materials 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 the value of our investments as well as 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 (including changes in principles related to accounting for deferred acquisition costs); (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 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 or affect the value of our deferred tax assets. 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

1Q11: Summary

CNO

- Net income of $53.9 million, compared to $33.9 million
- Net operating income* up 36% to $51.9 million, or 18 cents per diluted share
- Consolidated RBC at 341%, up 9 percentage points from 12/31/10
  - Driven by statutory earnings of $101 million
  - Partially offset by $60 million of dividend payments to our holding company
- Holding company liquidity at $169 million, up $8 million from 12/31/10
  - Primarily reflecting the aforementioned dividend payments
  - Partially offset by $50 million prepayment of debt
- Debt to total capital ratio at 19.2%, down from 20.0% at 12/31/10
- Core sales** down 1% from 1Q10
- Seeking to amend our senior secured credit facility

*Management believes that an analysis of net income applicable to common stock before: (1) loss on extinguishment 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 7 reconciles the non-GAAP measure to the corresponding GAAP measure.

**Excludes PFFS and PDP.

1Q11 Summary of Results

CNO

($ millions, except per-share amounts)

	Pre-Tax	After Tax	EPS
Bankers Life	$63.9		
Washington National	25.2		
Colonial Penn	5.4		
Other CNO Business	7.1		
Corporate operations and interest expense	(21.1)		
Operating income*	80.5	$51.9	$0.18
Loss on extinguishment of debt	(1.4)	(0.9)	-
Net realized investment gains	4.5	2.9	0.01
Total	$83.6	$53.9	$0.19

*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)

	1Q10	2Q10	3Q10	4Q10	1Q11
Bankers Life	$ 53.2	$ 64.0	$ 95.5	$ 71.4	$ 63.9
Washington National	27.6	21.1	27.2	28.7	25.2
Colonial Penn	5.3	7.6	7.8	5.8	5.4
Other CNO Business	(1.9)	8.8	(24.4)	6.0	7.1
Corporate operations, excluding interest expense	(5.0)	(11.8)	(12.3)	(13.7)	(0.5)
Total EBIT*	79.2	89.7	93.8	98.2	101.1
Corporate interest expense	(19.5)	(19.8)	(20.0)	(20.0)	(20.6)
Income before net realized investment gains (losses) and taxes	59.7	69.9	73.8	78.2	80.5
Tax expense on period income	21.5	25.0	26.7	26.5	28.6
Net operating income	38.2	44.9	47.1	51.7	51.9
Loss on extinguishment of debt, net of income taxes	(1.2)	(0.6)	-	(2.6)	(0.9)
Net realized investment gains (losses)	(3.1)	(11.2)	2.3	24.1	2.9
Net income before valuation allowance for deferred tax assets	33.9	33.1	49.4	73.2	53.9
Decrease in valuation allowance for deferred tax assets	-	-	-	95.0	-
Net income	$ 33.9	$ 33.1	$ 49.4	$ 168.2	$ 53.9

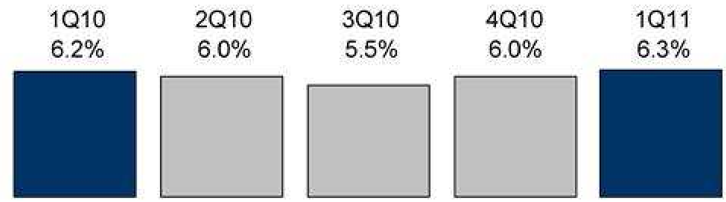
*Management believes that an analysis of earnings before net realized investment gains (losses), corporate interest, loss on extinguishment of debt and taxes (“EBIT,” a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (1) corporate interest expense; (2) loss on extinguishment of debt; 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

CNO

($ millions)

Operating ROE*, Trailing 4 Quarters



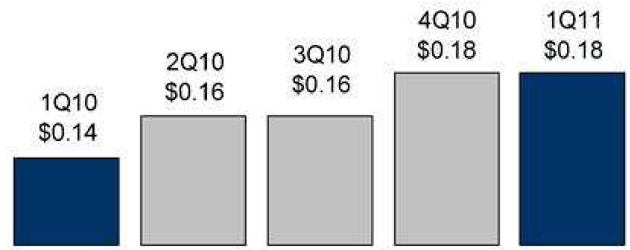
Average common shareholders' equity, excluding AOCI/L and net operating loss carryforwards, trailing 4 quarters:	$2,679.2	$2,808.3	$2,942.8	$3,048.5	$3,129.7

*Operating return excludes loss on extinguishment of debt, net realized investment gains (losses) and change in 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



Weighted average diluted shares (in millions)**:	292.1	302.6	306.0	306.7	307.5

* Operating earnings per share exclude loss on extinguishment 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.

** Includes the dilutive impact from convertible debentures. See the appendix for additional details.

Book Value

CNO

($ millions, except per-share amounts)

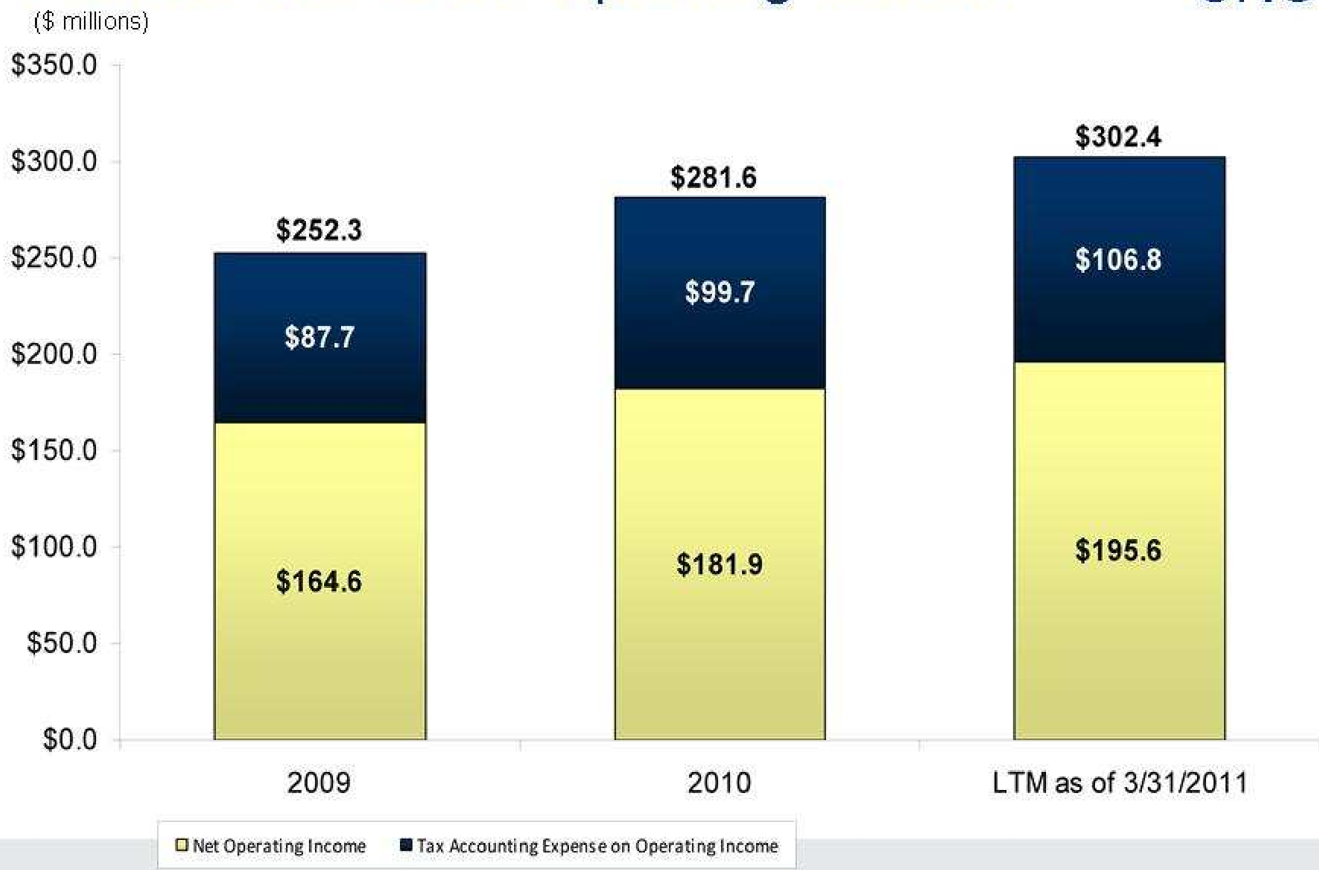
	03/31/10	06/30/10	09/30/10	12/31/10	03/31/11
Shareholders' Equity (Excluding AOCI/L)	$3,823.1	$3,864.0	$3,916.2	$4,087.0	$4,142.8
Accumulated Other Comprehensive Income (Loss)	(103.0)	318.8	688.1	238.3	257.6
Total Shareholders' Equity	$3,720.1	$4,182.8	$4,604.3	$4,325.3	$4,400.4
Shares Outstanding	250.9	251.0	251.0	251.1	251.4
Book Value Per Share	$14.83	$16.66	$18.34	$17.23	$17.50
Book Value Per Share (Excluding AOCI/L)*	$15.24	$15.39	$15.60	$16.28	$16.48

Book value per diluted share (excluding AOCI/L) as of March 31, 2011 was $14.37

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

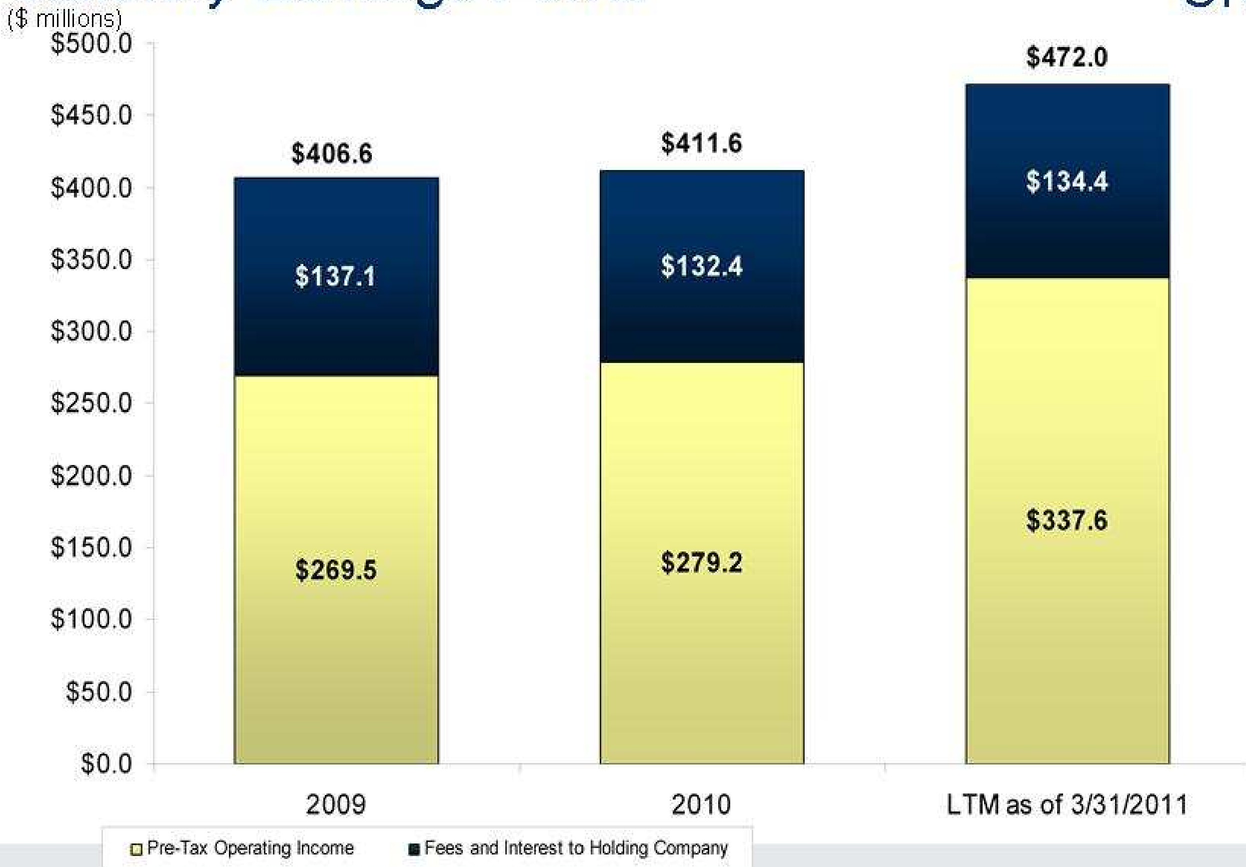
Pre/After Tax GAAP Operating Income

CNO



Statutory Earnings Power

CNO

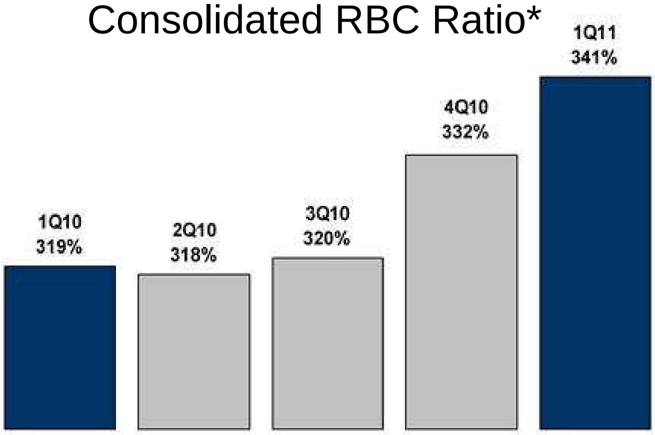


Financial Strength

CNO

($ millions)

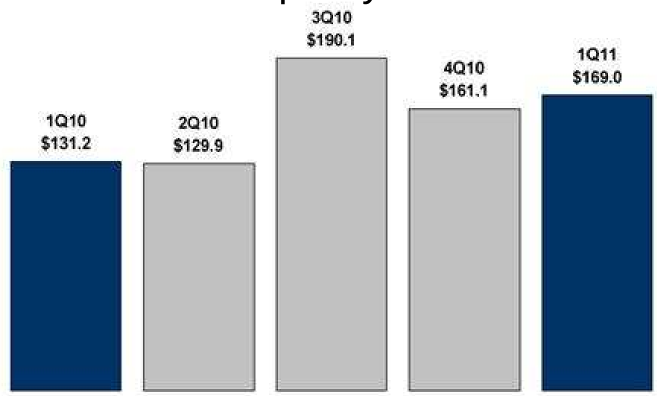
Consolidated RBC Ratio*



- RBC increased to 341% in 1Q11
  - Positive impact primarily from statutory operating income of $101 million (+21 points)
  - Partially offset by dividend payments to our holding company of $60 million (-13 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**				
21.6%	21.3%	21.2%	20.0%	19.2%

- Unrestricted cash held at the holding company increased $8 million during 1Q11
  - Primarily reflecting the dividend payments from our insurance subsidiaries
  - Offset by $50 million prepayment of debt

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

1Q Summary

Bankers Life

- Earnings of $63.9 million, up 20%
  - Results were favorably impacted by:
    - $14 million from improved spreads and growth in the annuity block
    - $11 million due to favorable reserve impacts in long-term care
    - $7 million due to favorable claim development in Medicare supplement
  - Medicare supplement results were unfavorably impacted by $23 million additional amortization of insurance intangibles primarily resulting from higher 1Q11 policy lapses and conversions

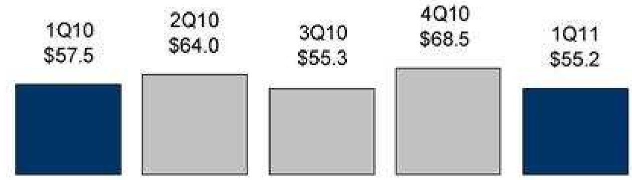
Sales and Distribution Results

Bankers Life

($ millions)

- Mixed sales results
  - Continued strong life sales, up 5%
  - Lower Med supp sales, down 5%, and LTC sales, down 19%, impacted by consumer preference for lower cost products

Quarterly NAP*



Med supp policies issued (in thousands):	10.6	12.6	10.2	19.7	11.4

- Recruiting gaining momentum
  - New agent contracts up 27% over 4Q10
  - Agent force stable; 1 st year productive agents up 3% over 4Q10
  - Branch expansion ahead of schedule; opened 10 of 15 locations

*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.

Medicare Supplement Update

Bankers Life

- Industry and Competition
  - Leading competitor pulling Plan N and significantly increasing rate on in-force and new business
  - Bankers plans to take no pricing actions this year, as product is performing to profit expectations

- 1Q11 Highlights
  - 5% decline in sales compared to 1Q10, but a 7% increase in policies issued reflecting shift to lower-premium Plan N
  - Recent reduction in policies returned during “free look” period, indicative of improved competitive position

LTC Update

Bankers Life

- Stable financial results
  - Continued claims management improvements contributed to $11 million favorable reserve development in 1Q11

- Rate increase filings continue
  - Filing for increases on most plans sold between 2002 and 2005
  - Filing for increases on inflationary plans sold between 1992 and 2003
  - Expect to implement rate increases of $37 million
    - Approximately $11 million of approvals received as of 3/31/11

- Sales down 19% reflecting consumer preferences for lower priced products
  - New product rolled out with lower exposure to higher risk benefits
    - Priced to achieve target returns
    - Partly reinsured

Quarterly Earnings

Bankers Life

($ millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Insurance policy income	$396.2	$400.7	$405.1	$394.2	$400.0
Net investment income:					
General account assets	172.2	177.0	182.4	187.7	191.3
Other portfolios	13.7	(16.5)	26.1	16.3	18.3
Fee revenue and other income	2.3	2.7	3.6	4.2	2.3
Total revenues	584.4	563.9	617.2	602.4	611.9
Insurance policy benefits	350.6	344.2	341.8	339.9	337.6
Amounts added to policyholder account balances	65.9	38.5	60.3	66.1	67.2
Amortization related to operations	67.0	70.6	76.4	76.5	101.9
Interest expense on investment borrowings	-	-	-	1.0	1.2
Other operating costs and expenses	47.7	46.6	43.2	47.5	40.1
Total benefits and expenses	531.2	499.9	521.7	531.0	548.0
Income before net realized investment gains (losses), net of related amortization and income taxes	$53.2	$64.0	$95.5	$71.4	$63.9

Trailing 4 Quarter Operating Return on Allocated Capital: 12.0%

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 7 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.

1Q Summary Washington National

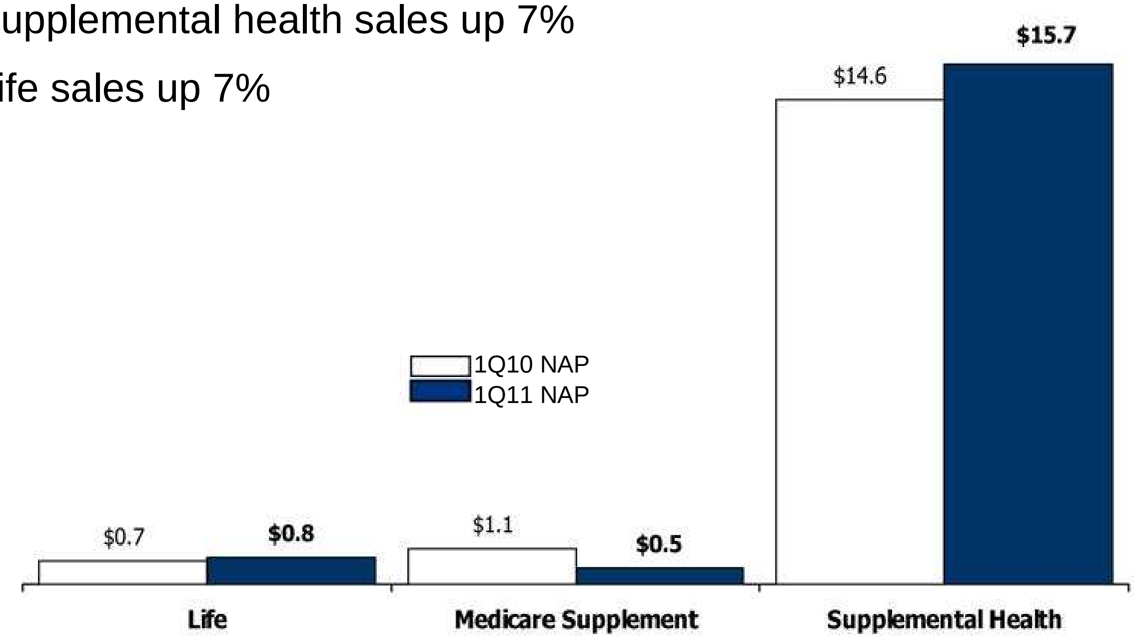
- Earnings of $25.2 million, down $2.4 million primarily from favorable reserve refinements related to our life products in 1Q10
- Sales (NAP) of $17 million, up 3%
  - Supplemental health NAP of $15.7 million, up 7%
- Solid recruiting results for the WNIC Independent channel

1Q11 Sales Results

Washington National

($ millions)

- Supplemental health sales up 7%
- Life sales up 7%



Quarterly Earnings

Washington National

($ millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Insurance policy income	$145.4	$144.7	$144.9	$146.0	$145.4
Net investment income:					
General account assets	45.5	45.8	46.2	46.7	46.3
Other portfolios	(0.1)	0.1	0.2	1.0	-
Fee revenue and other income	0.3	0.2	0.3	0.3	0.3
Total revenues	191.1	190.8	191.6	194.0	192.0
Insurance policy benefits	112.5	116.7	112.4	109.0	112.2
Amortization related to operations	14.8	13.1	14.4	14.6	16.1
Other operating costs and expenses	36.2	39.9	37.6	41.7	38.5
Total benefits and expenses	163.5	169.7	164.4	165.3	166.8
Income before net realized investment gains (losses), net of related amortization and income taxes	$27.6	$21.1	$27.2	$28.7	$25.2

Trailing 4 Quarter Operating Return on Allocated Capital: 9.4%

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 7 reconciles the non-GAAP measure to the corresponding GAAP measure.

1Q Summary Colonial Penn

- Earnings of $5.4 million, compared to $5.3 million
- Sales growth continues, NAP up 4%

Quarterly Earnings

Colonial Penn

($ millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Insurance policy income	$48.2	$49.3	$48.8	$48.6	$50.3
Net investment income	9.7	9.7	9.9	10.0	10.3
Fee revenue and other income	0.2	0.1	0.2	0.2	0.2
Total revenues	58.1	59.1	58.9	58.8	60.8
Insurance policy benefits	36.4	35.2	36.1	36.1	38.5
Amounts added to policyholder account balances	0.3	0.2	0.3	0.2	0.2
Amortization related to operations	8.7	8.8	7.0	8.8	9.0
Other operating costs and expenses	7.4	7.3	7.7	7.9	7.7
Total benefits and expenses	52.8	51.5	51.1	53.0	55.4
Income before net realized investment gains (losses) net of related amortization and income taxes	$5.3	$7.6	$7.8	$5.8	$5.4

Trailing 4 Quarter Operating Return on Allocated Capital: 7.5%

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 7 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.

1Q Summary Other CNO Business

- Earnings of $7.1 million, compared to loss of $1.9 million
  - Favorable mortality in 1Q11
  - Results in 1Q10 were unfavorably impacted by changes in assumptions related to when certain non-guaranteed elements will be implemented

Quarterly Earnings (Losses) Other CNO Business

($ millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Insurance policy income	$74.8	$73.2	$75.7	$74.2	$71.5
Net investment income:					
General account assets	87.8	88.5	88.0	87.8	88.2
Other portfolios	4.8	(8.1)	8.5	7.3	6.5
Total revenues	167.4	153.6	172.2	169.3	166.2
Insurance policy benefits	90.3	84.3	110.4	82.6	88.8
Amounts added to policyholder account balances	43.0	31.9	38.7	39.8	38.7
Amortization related to operations	12.2	3.6	20.7	15.1	9.1
Interest expense on investment borrowings	5.0	5.0	5.1	4.9	4.9
Other operating costs and expenses	18.8	20.0	21.7	20.9	17.6
Total benefits and expenses	169.3	144.8	196.6	163.3	159.1
Income (loss) before net realized investment gains (losses), net of related amortization and income taxes	($1.9)	$8.8	($24.4)	$6.0	$7.1

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 7 reconciles the non-GAAP measure to the corresponding GAAP measure.

Summary of Proposed Amendments to Senior Secured Credit Facility*

CNO

- Reduce spread by 100 bps to L+500 bps and reduce the LIBOR floor by 25 bps to 1.25%

- Introduce step downs for mandatory prepayments due to Restricted Payments
  - Requirement steps down to $0.50 prepayment for every $1 of Restricted Payments if Debt / Total Capitalization ≤17.5%
  - No required prepayment if Debt / Total Capitalization ≤12.5%

- Provide flexibility to make permitted investments at holding company
  - Will allow CNO to better utilize tax benefits from non-life operating loss carryforwards

- Increase the cap on non-investment grade investments from 10% to 12%

* There can be no assurance that the proposed amendments will be achieved

Excess Capital Utilization Opportunities

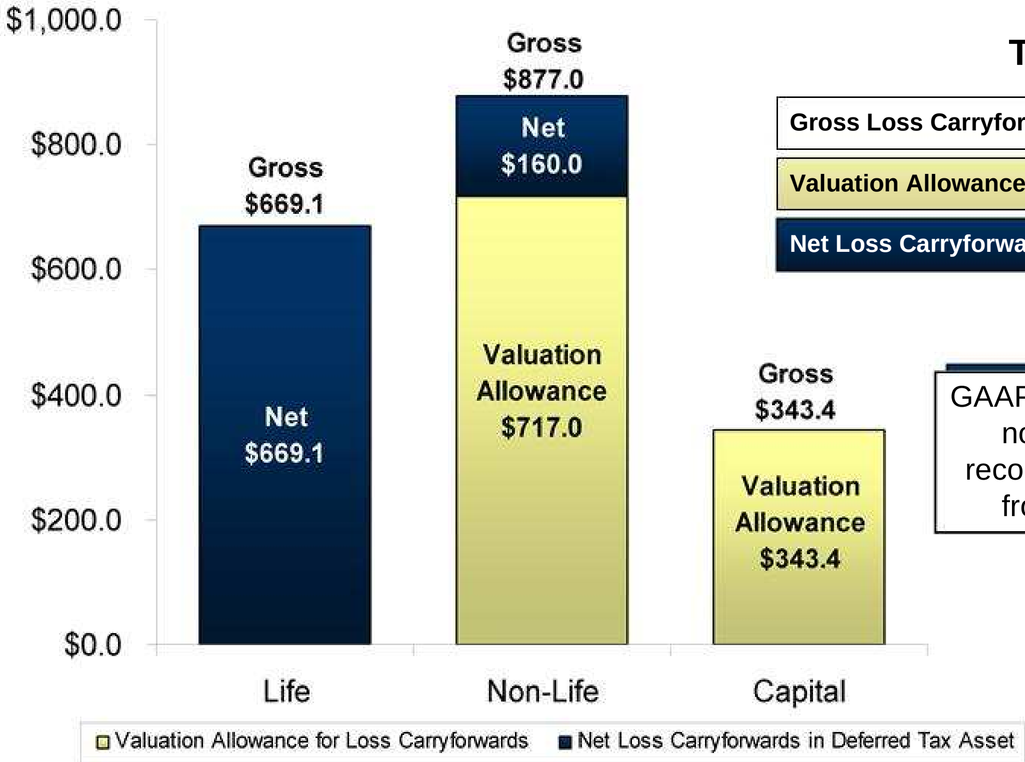
CNO

- Debt Prepayment
- Share Buybacks
- Common Stock Dividends
- Investing in Business for Additional Growth
- Build Holding Company Investment Portfolio
  - Utilize non-life operating loss carryforward

GAAP Balances for Deferred Tax Asset as of 3/31/11: Loss Carryforwards - Gross [1] vs. Net [2]

CNO

($ millions)



Totals

Gross Loss Carryforwards	$1,889.5
Valuation Allowance	(1,060.4)
Net Loss Carryforwards	$829.1

GAAP valuation allowances do not impact our ability to recognize economic benefits from the carryforwards.

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

Net Investment Income

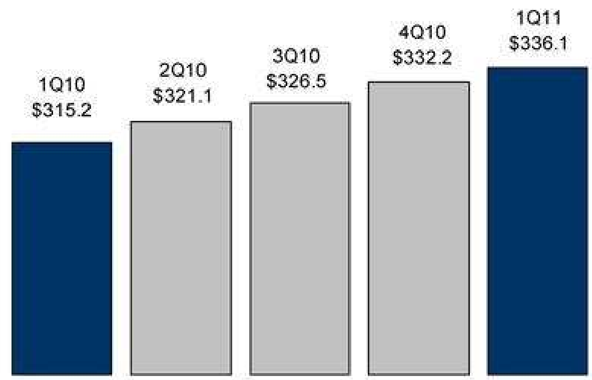
CNO

($ millions)

General Account Investment Income

New Money Rate (excluding floating rate FHLB):	6.21%	6.26%	6.00%	5.96%	5.60%

- Increase in investment income primarily due to growth in assets
- Implemented $750mm FHLB floating rate program in 2010, increasing net investment income
- 2010 portfolio yield increase (excluding FHLB) due primarily to new money investments



Earned Yield:	5.76%	5.83%	5.86%	5.77%	5.79%
Earned Yield (excluding floating rate FHLB):	5.76%	5.83%	5.87%	5.84%	5.90%

Realized Gains/Losses Recognized through Net Income

CNO

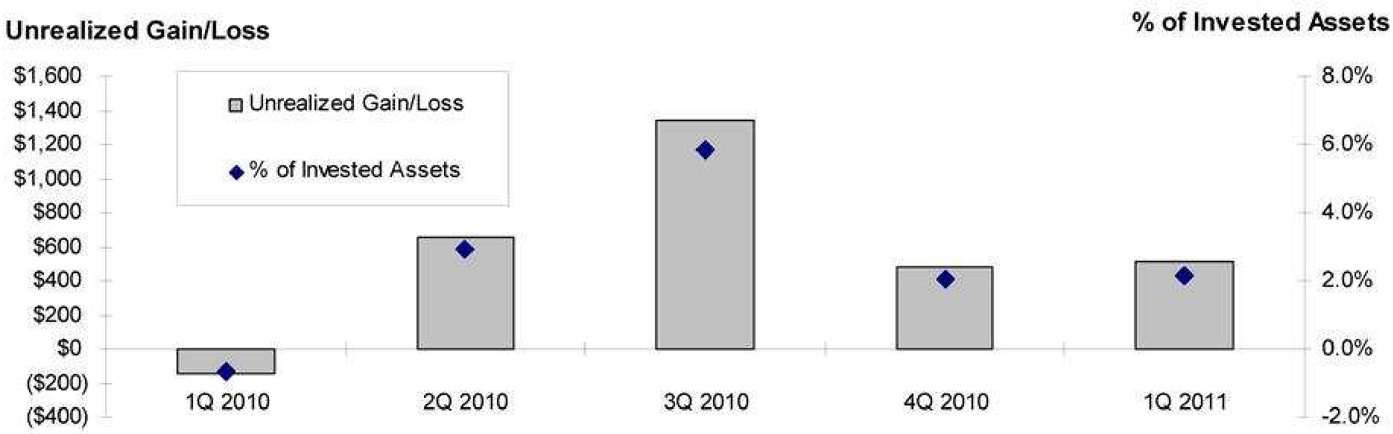
($ millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Gross Gains	$50.9	$60.9	$101.5	$138.8	$43.5
Gross Losses	(35.5)	(49.7)	(73.4)	(13.5)	(25.1)
Losses due to recognition of other-than-temporary impairments recognized in earnings	(20.3)	(27.9)	(24.5)	(77.1)	(13.3)
Amortization adjustments to insurance intangibles	0.1	(0.5)	(0.1)	(11.0)	(0.6)
Net investment gains (losses) before tax	(4.8)	(17.2)	3.5	37.2	4.5
Income tax benefit (expense)	1.7	6.0	(1.2)	(13.1)	(1.6)
Net investment gains (losses) after tax	($3.1)	($11.2)	$2.3	$24.1	$2.9

Unrealized Gain/Loss*

CNO

($ millions)



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

1Q11 Impairments

CNO

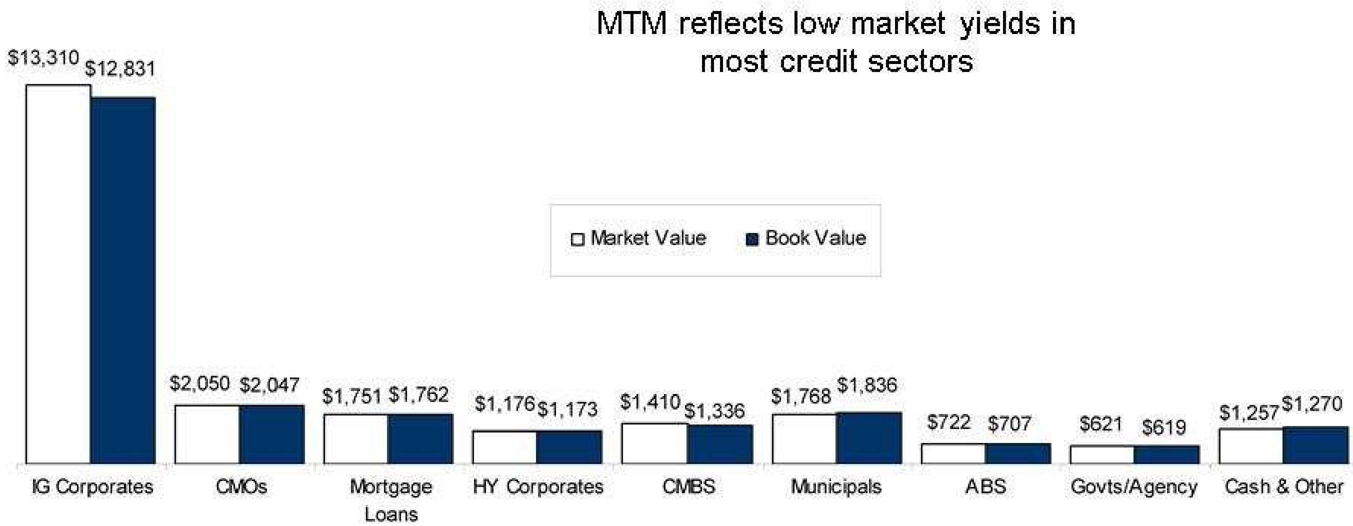
($ millions)

	Gross Amounts	Amount Recognized through AOCI/L	Amount Recognized through Net Income
Corporates - IGA	$ 6.4	$ -	$ 6.4
Corporates - Other	3.2	-	3.2
RMBS/ABS	0.1	-	0.1
Commercial Mortgage Loans	3.5	-	3.5
Other	0.1	-	0.1
Total	$ 13.3	$ -	$ 13.3

Asset Allocation at 3/31/11*

($ millions)

CNO



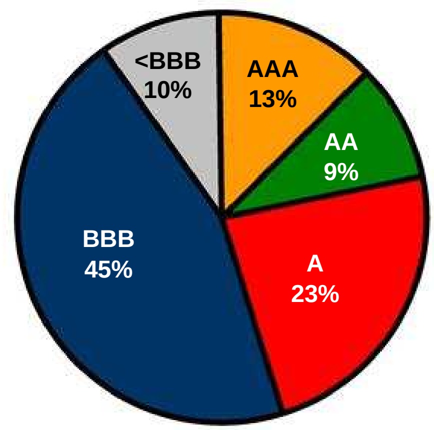
*Excludes investments from variable interest entities which we consolidate under GAAP (the related liabilities are non-recourse to CNO).

Investment Quality: Fixed Maturities*

CNO

- 90% investment grade
- Favorable corporate bond ratings trends
- RMBS Ratings erosion due to seasoning effect (no NAIC RBC impact)

Fixed Maturities, available for sale, by Rating at 3/31/11 (Market Value)



	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11
% of Bonds which are Investment Grade:	93%	92%	92%	91%	90%

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

Alt-A at 3/31/11

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	$50.6	$49.9	16.5%	719	43.1%	20.5%	3.7%	0.21%
AA	44.2	43.7	14.4%	707	31.8%	17.5%	2.1%	0.18%
A	32.1	31.0	10.5%	712	37.3%	25.8%	4.3%	0.13%
BBB	45.8	45.4	14.9%	717	17.3%	15.1%	3.1%	0.19%
<BBB	134.2	133.3	43.7%	714	9.0%	14.6%	2.2%	0.57%
Total	$306.9	$303.3	100.0%	714	22.1%	17.3%	2.8%	1.28%

- 1.3% of total invested assets
- 100% NAIC 1 classification
- 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
- Substantial proportion of investments purchased at discounts reflective of current market expectations for cash flows from collateral
- 1Q downgrades consistent with expectations for seasoning effect on collateral and credit support

*Market value.

Prime Jumbo at 3/31/11

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	$137.8	$134.4	12.5%	734	7.4%	3.5%	0.08%	0.57%
AA	86.2	83.7	7.8%	739	18.2%	8.1%	0.79%	0.36%
A	165.8	164.7	15.1%	737	23.7%	10.1%	1.67%	0.69%
BBB	90.9	88.0	8.3%	741	9.9%	8.6%	0.98%	0.38%
<BBB	618.4	605.1	56.3%	738	6.7%	9.6%	1.30%	2.57%
Total	$1,099.1	$1,075.9	100.0%	738	10.5%	8.7%	1.14%	4.57%

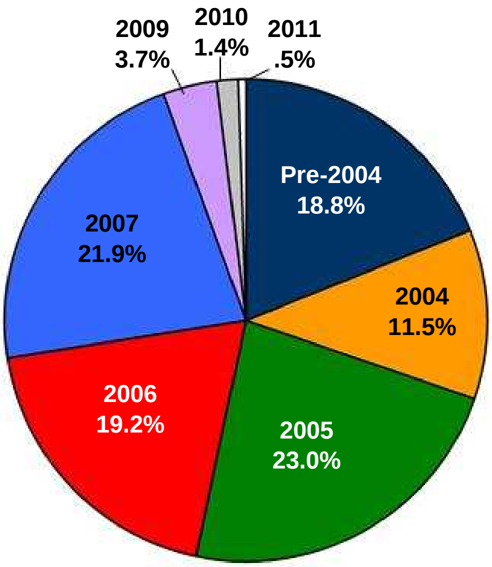
- 4.6% of total invested assets
- 99.3% NAIC 1 classification
- Substantial proportion of investments purchased at discounts reflective of current market expectations for cash flows from collateral
- All securities evaluated using market-consistent estimates of collateral performance
- Credit support remains substantial relative to anticipated cumulative losses
- Collateral performing within expectations

*Market value.

CMBS at 3/31/11

CNO

($ millions)



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

	AAA	AA	A	BBB	<BBB
Pre-2004	$ 188.3	$ 29.3	$29.4	$ 4.0	$ -
2004	118.1	13.3	7.3	14.3	-
2005	283.3	-	15.5	4.0	4.0
2006	186.2	68.5	-	2.4	-
2007	292.4	-	-	-	-
2009	49.3	-	-	-	-
2010	-	12.5	6.7	-	-
2011	7.2	-	-	-	-
Total BV	$1,124.8	$123.6	$58.9	$24.7	$4.0
Total MV	$1,197.5	$129.6	$58.2	$21.6	$3.0

CMBS at 3/31/11

CNO

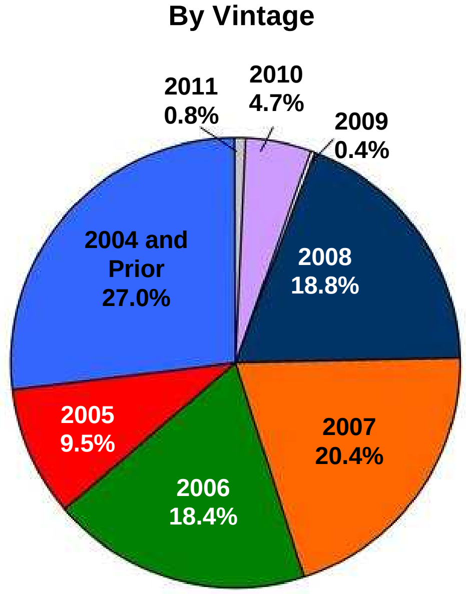
($ millions)

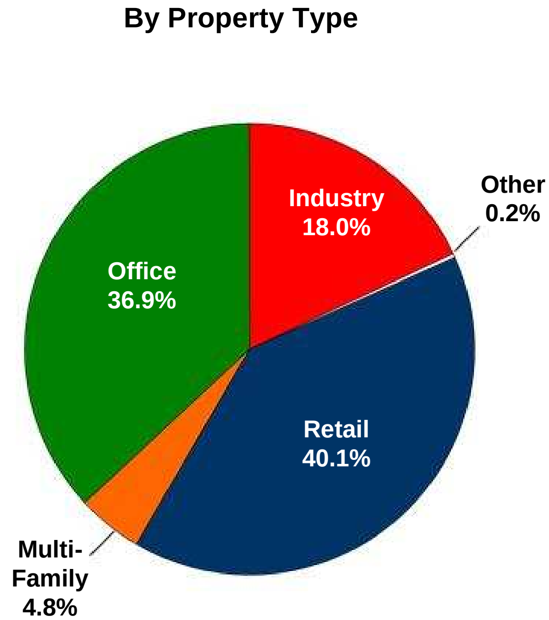
Rating	Market Value (mil.)	Book Value (mil.)	% of CMBS*	Avg. Support	Avg. 60+ Delinq.	Avg. Accum. Loss	% of Portfolio*
AAA	$1,197.5	$1,124.8	85.0%	27.7%	5.3%	0.8%	4.98%
AA	129.6	123.6	9.2%	21.6%	3.8%	1.2%	0.54%
A	58.2	58.9	4.1%	11.2%	1.6%	0.4%	0.24%
BBB	21.6	24.7	1.5%	9.1%	2.1%	0.4%	0.09%
<BBB	3.0	4.0	0.2%	5.6%	3.2%	0.0%	0.01%
Total	$1,409.9	$1,336.0	100.0%	26.2%	5.0%	0.8%	5.86%

- 5.9% of invested assets
- 99.6% NAIC 1 classification
- 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
- Collateral performing within expectations

*% of market value

Commercial Mortgage Loans at 3/31/11 CNO





- Current LTV of approximately 59.2%
- Trailing debt service coverage ratio (DSCR) stable at approximately 1.39
- As of 3/31/11, 1 delinquent loan ($.1mm unpaid balance)

Summary

CNO

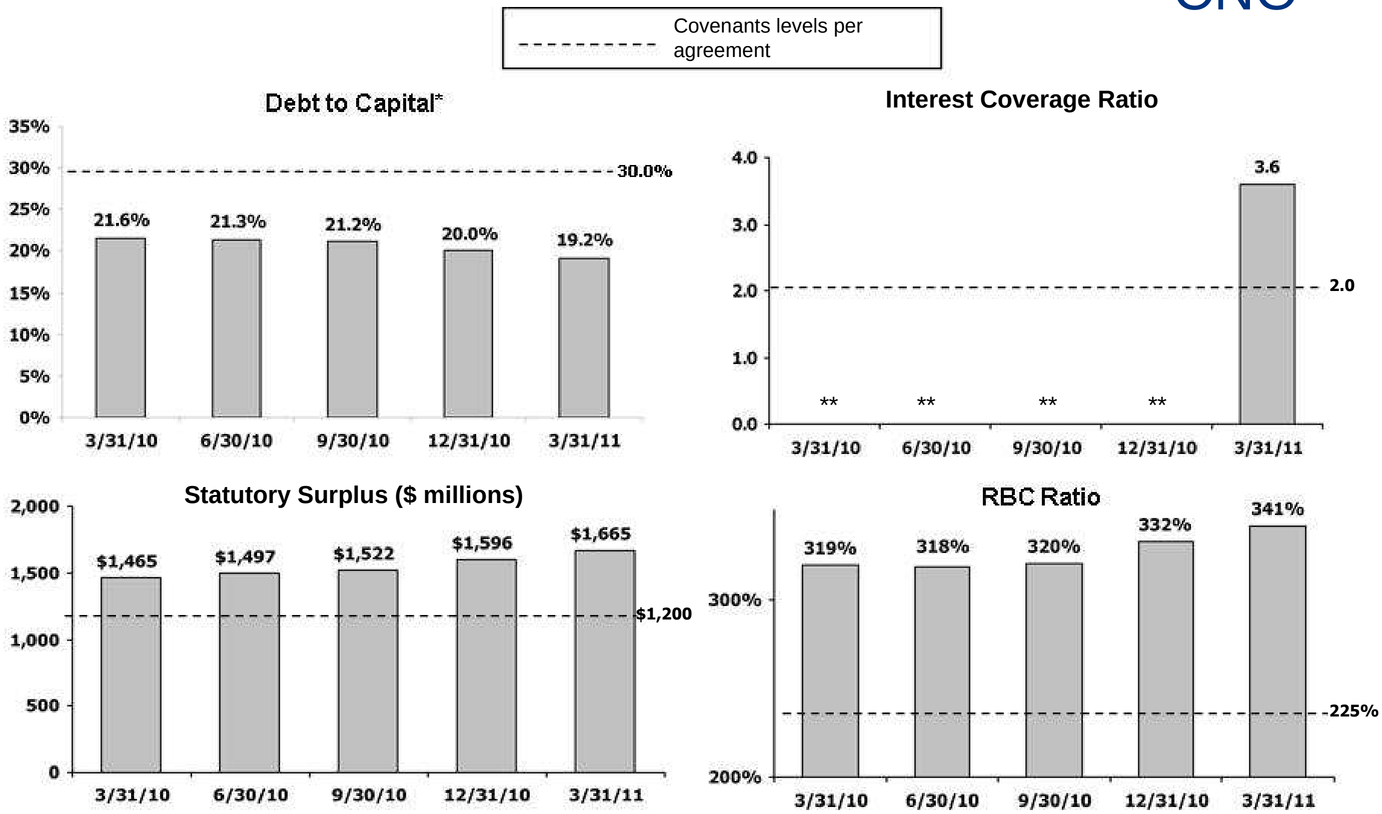
- Solid earnings continued in 1Q
- Capital generation creates unique opportunities
  - Generating significant amounts of excess capital
  - Retaining more capital in holding company to generate more non-life income and utilize operating loss carryforwards
- Continued emphasis on profitable growth
  - 2011 first year baby boomers begin turning 65
  - Adding 15 new locations for Bankers Life in 2011
  - Expanding PMA’s recruiting capacity and sales management team
- Retirement of Baby Boom Generation is a huge opportunity for CNO

Questions and Answers

Appendix

Covenant Metrics

CNO



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

** Not applicable to periods prior to 3/31/11

1Q11 Holding Company Liquidity

CNO

($ millions)

Cash Balance 12/31/2010	$161.1
Sources	
Dividends from Insurance Subsidiaries	60.0
Surplus Debenture Interest	12.0
Service and Investment Fees, Net	3.4
Total Sources	75.4
Uses	
Interest	8.0
Debt Repayments	50.0
Holding Company Expenses and Other	9.5
Total Uses	67.5
Cash Balance 3/31/2011	$169.0

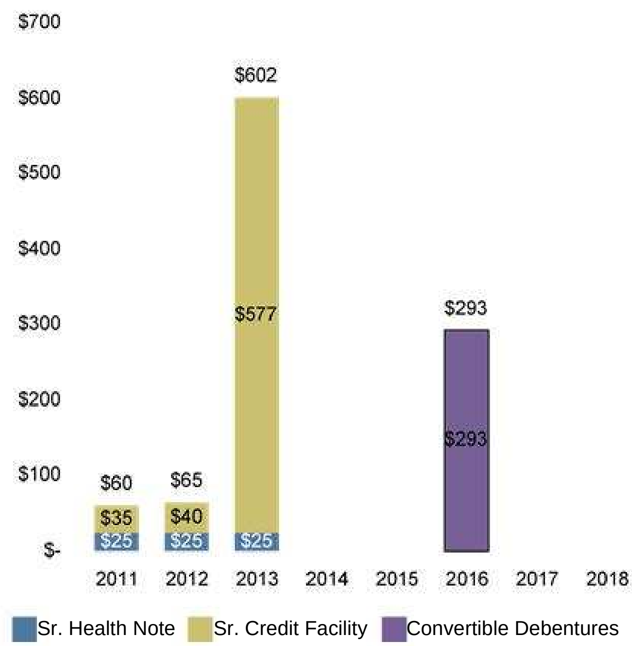
Debt Maturity Profile

($ millions)

CNO

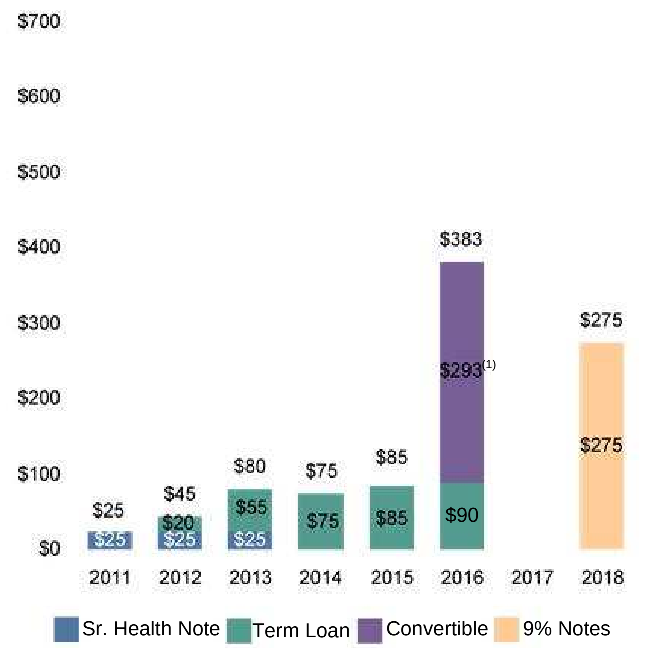
Maturity Profile Prior to 4Q10 Refinancing

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 3/31/2011, CNO's stock closed at $7.51.

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 March 31, 2011	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Segment pre-tax operating earnings (a non-GAAP financial measure)	$ 294.8	$ 102.2	$ 26.6	$ (2.5)	$ (118.7)	$ 302.4
Adjustment to investment income to reflect capital at 275% RBC	(3.4)	(2.2)	0.4	0.4	4.8	-
Interest allocated on corporate debt	(40.5)	(16.9)	(5.6)	(17.4)	80.4	-
Income tax (expense) benefit	(90.4)	(29.9)	(7.6)	7.0	14.1	(106.8)
Adjusted operating earnings for purposes of calculating operating return on allocated capital	$ 160.5	$ 53.2	$ 13.8	$ (12.5)	$ (19.4)	$ 195.6

Allocated capital is calculated as follows:

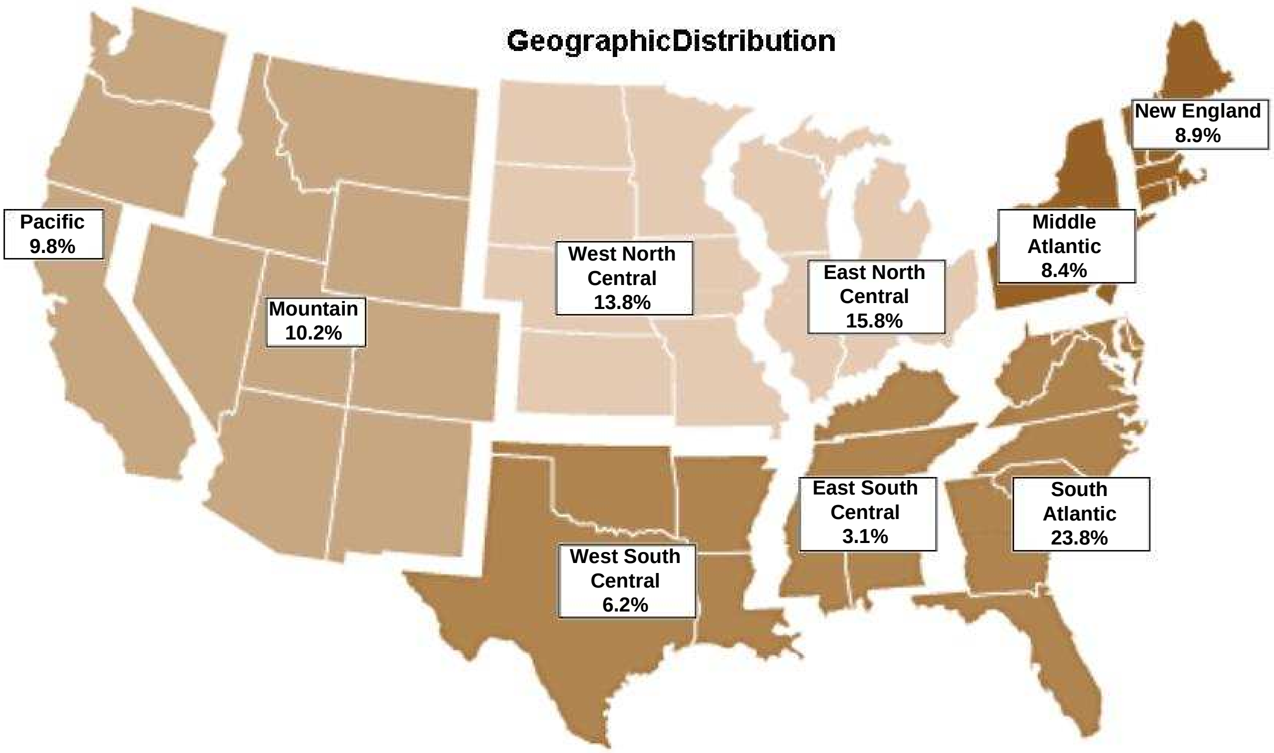
Trailing 4 Quarter Average as of March 31, 2011	Bankers Life	Washington National	Colonial Penn	Other CNO Business	Corporate	Total
Capital allocation based on 275% RBC	$ 1,838.1	$ 779.3	$ 252.5	$ 813.9	$ (554.1)	$ 3,129.7
Allocation of corporate debt	(505.1)	(214.2)	(69.4)	(224.1)	1,012.8	-
Allocated capital for the purpose of determining return on allocated capital	$ 1,333.0	$ 565.1	$ 183.1	$ 589.8	$ 458.7	$ 3,129.7

Operating Return on Allocated Capital:	12.0%	9.4%	7.5%	-2.1%	-4.2%	6.3%

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

Commercial Mortgage Loans at 3/31/11

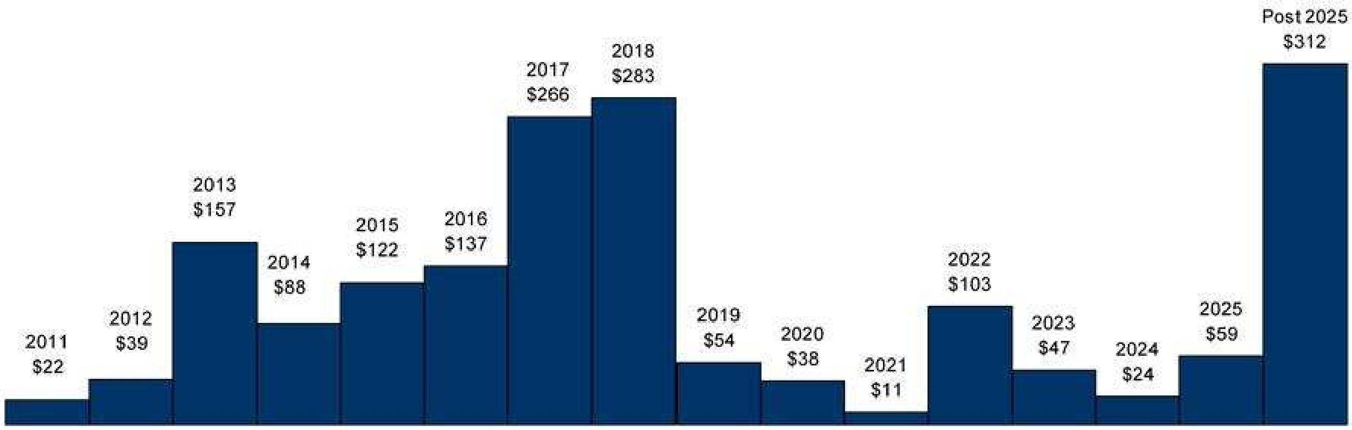
CNO



Commercial Mortgage Loans at 3/31/11 CNO

($ millions)

Remaining Principal Balance By Maturity

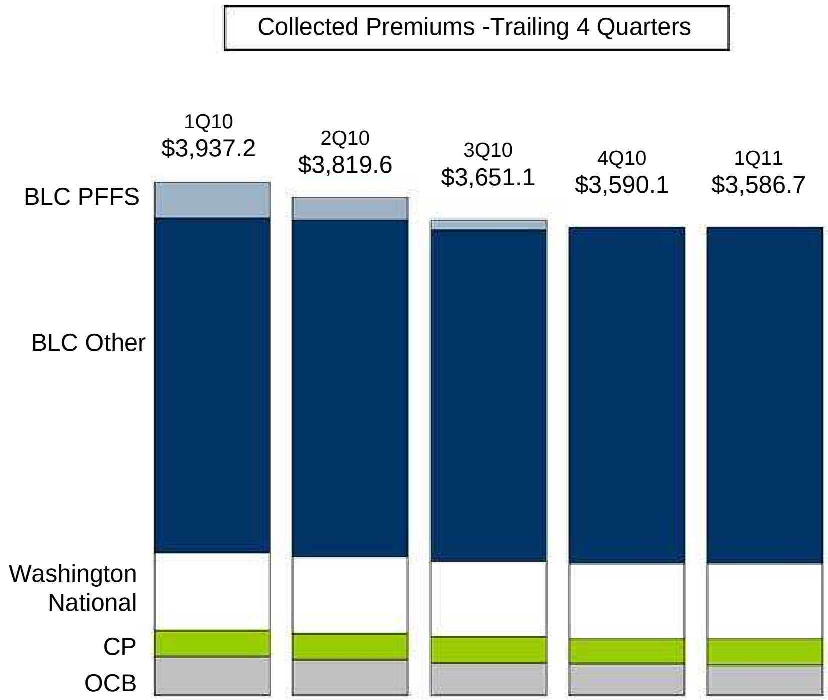


Premiums Collected

CNO

($ millions)

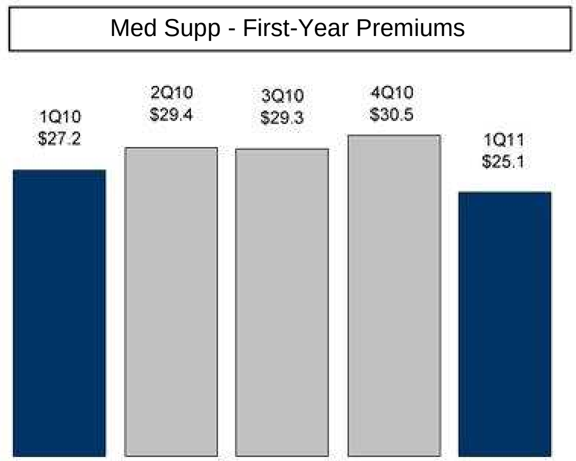
- Trailing 4 quarters down 9%
  - Stable results at Bankers Life (excluding PFFS), Washington National, and Colonial Penn
  - Decline at OCB primarily due to continued run-off of inforce blocks, as expected



Premiums Collected - Med Supp Bankers Life

($ millions)

- First-year premiums down 8%



Med Supp First-Year Prems.-Tr. 4 Qtrs:	$99.2	$107.5	$114.1	$116.4	$114.3
Med Supp Total Premiums-Quarterly:	$176.6	$168.8	$170.1	$182.3	$178.8
Med Supp NAP-Quarterly:	$19.4	$21.0	$16.0	$31.8	$18.3
Med Supp NAP-Trailing 4 Quarters:	$115.3	$117.1	$113.2	$88.2	$87.1

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

PFFS policies issued:	22.8	-0.4	0.1	0.4	9.7
PDP policies issued:	8.0	0.3	1.0	0.4	8.1

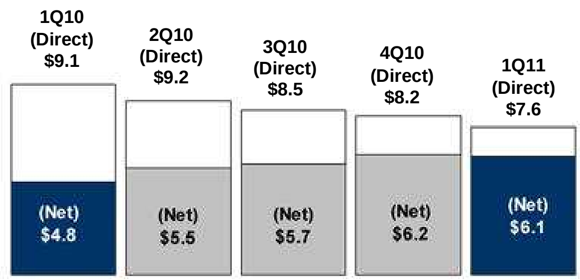
Premiums Collected - LTC

($ millions)

Bankers Life

Long-Term Care - First-Year Premiums*

- Net first-year premiums up 27%, reflecting reduction in new business reinsurance



First-Year Prems.-Tr. 4 Qtrs:	$18.3	$19.1	$21.9	$22.2	$23.5
Total Premiums-Quarterly:	$149.5	$146.6	$145.0	$143.5	$144.9
NAP-Quarterly:	$8.6	$8.7	$7.2	$6.7	$6.9
NAP-Trailing 4 Quarters:	$36.5	$35.4	$32.8	$31.2	$29.5

*Includes $4.3 million in 1Q10, $3.7 million in 2Q10, $2.8 million in 3Q10, $2.0 million in 4Q10, and $1.5 million in 1Q11 of premiums ceded under business reinsurance agreement.

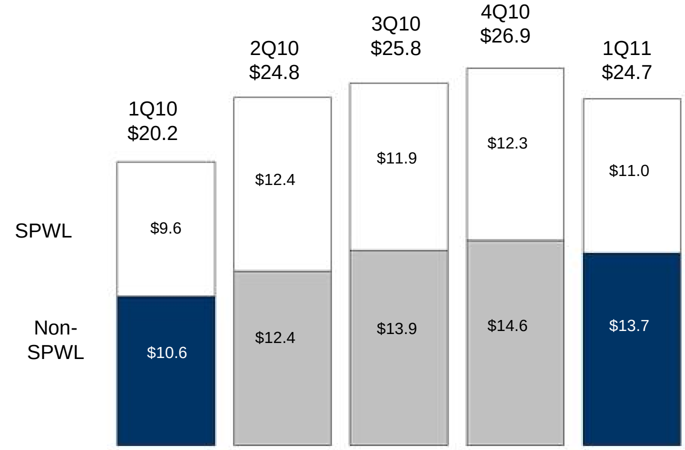
Premiums Collected - Life

Bankers Life

($ millions)

- First-year premiums up 22%

Life - First-Year Premiums



First-Year Prems.-Tr. 4 Qtrs:	$86.0	$91.4	$93.8	$97.7	$102.2
Total Premiums-Quarterly:	$46.5	$52.1	$54.8	$56.2	$56.4
NAP-Quarterly:	$15.8	$17.3	$16.3	$15.9	$16.6
NAP-Trailing 4 Quarters:	$60.9	$62.6	$63.1	$65.3	$66.1

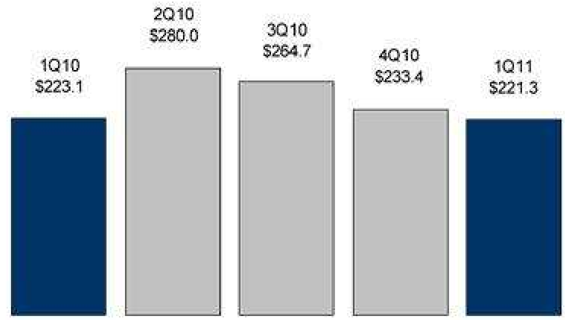
Premiums Collected - Annuity

Bankers Life

($ millions)

- First-year premiums down 1%

Annuity - First-Year Premiums



First-Year Prems.-Tr. 4 Qtrs:	$979.1	$984.4	$965.1	$1,001.2	$999.4
Total Premiums-Quarterly:	$224.4	$281.1	$265.8	$234.4	$222.2

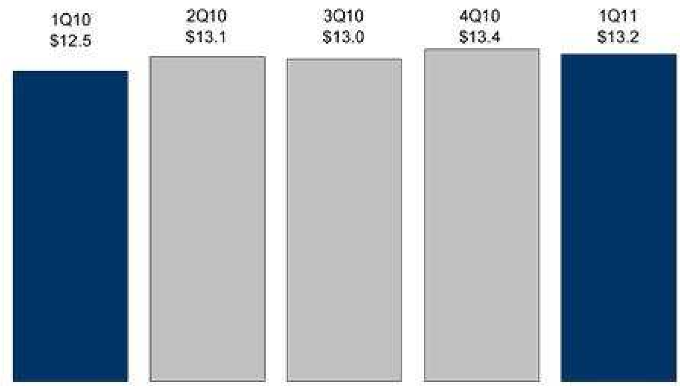
Premiums Collected - Supplemental Health

Washington National

($ millions)

- First-year premiums up 6%
  - Increased focus on supplemental health products

Supplemental Health - First-Year Premiums



First-Year Prems.-Tr. 4 Qtrs:	$47.7	$49.7	$50.9	$52.0	$52.7
Total Premiums-Quarterly:	$99.6	$100.2	$101.5	$104.2	$106.5
NAP-Quarterly:	$14.6	$17.5	$18.0	$17.5	$15.7
NAP-Trailing 4 Quarters:	$60.6	$63.4	$65.3	$67.6	$68.7

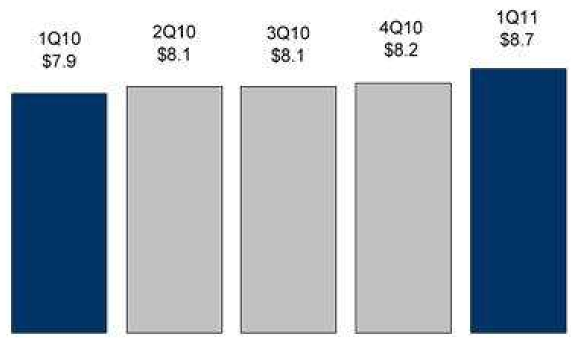
Premiums Collected - Life

Colonial Penn

($ millions)

- First-year premiums up 10%

Life - First-Year Premiums



First-Year Prems.-Tr. 4 Qtrs:	$31.7	$31.4	$31.6	$32.3	$33.1
Total Premiums-Quarterly:	$47.3	$46.7	$46.9	$46.8	$49.4
NAP-Quarterly:	$13.1	$12.2	$11.5	$9.5	$13.6
NAP-Trailing 4 Quarters:	$42.7	$44.3	$45.2	$46.3	$46.8

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 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 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):

	1Q10	2Q10	3Q10	4Q10	1Q11
Net income applicable to common stock	$ 33.9	$ 33.1	$ 49.4	$ 168.2	$ 53.9
Net realized investment (gains) losses, net of related amortization and taxes	3.1	11.2	(2.3)	(24.1)	(2.9)
Valuation allowance for deferred tax assets	-	-	-	(95.0)	-
Loss on extinguishment of debt	1.2	0.6	-	2.6	0.9
Net operating income (a non-GAAP financial measure)	$ 38.2	$ 44.9	$ 47.1	$ 51.7	$ 51.9
Per diluted share:					
Net income	$ 0.13	$ 0.12	$ 0.17	$ 0.56	$ 0.19
Net realized investment (gains) losses, net of related amortization and taxes	0.01	0.04	(0.01)	(0.08)	(0.01)
Valuation allowance for deferred tax assets	-	-	-	(0.31)	-
Loss on extinguishment of debt	-	-	-	0.01	-
Net operating income (a non-GAAP financial measure)	$ 0.14	$ 0.16	$ 0.16	$ 0.18	$ 0.18

Information Related to Certain Non-GAAP Financial Measures

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

	1Q10	2Q10	3Q10	4Q10	1Q11
Operating income	$ 38.2	$ 44.9	$ 47.1	$ 51.7	$ 51.9
Add: interest expense on 7.0% Convertible Senior Debentures due 2016, net of income taxes	2.6	3.4	3.7	3.6	3.7
Total adjusted operating income	$ 40.8	$ 48.3	$ 50.8	$ 55.3	$ 55.6
Weighted average shares outstanding for basic earning per share	250,788	250,994	251,045	251,064	251,121
Effect of dilutive securities on weighted average shares:					
7% Debentures	39,533	49,793	53,364	53,367	53,367
Stock option and restrictd stock plan	1,760	1,861	1,631	2,231	2,748
Warrants	-	-	-	-	262
Weighted average shares outstanding for diluted earning per share	292,081	302,648	306,040	306,662	307,498
Operating earnings per diluted share	$ 0.14	$ 0.16	$ 0.16	$ 0.18	$ 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):

	1Q10	2Q10	3Q10	4Q10	1Q11
Total shareholders' equity	$ 3,720.1	$ 4,182.8	$ 4,604.3	$ 4,325.3	$ 4,400.4
Less accumulated other comprehensive income (loss)	(103.0)	318.8	688.1	238.3	257.6
Total shareholders' equity excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure)	$ 3,823.1	$ 3,864.0	$ 3,916.2	$ 4,087.0	$ 4,142.8
Shares outstanding for the period	250,929,801	251,044,745	251,046,412	251,084,174	251,404,857
Book value per share	$ 14.83	$ 16.66	$ 18.34	$ 17.23	$ 17.50
Less accumulated other comprehensive income (loss)	(0.41)	1.27	2.74	0.95	1.02
Book value, excluding accumulated other comprehensive income (loss), per share (a non-GAAP financial measure)	$ 15.24	$ 15.39	$ 15.60	$ 16.28	$ 16.48

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, 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 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 March 31, 2011, 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	$ 160.5	$ 53.2	$ 13.8	$ (12.5)	$ (19.4)	$ 195.6
Net income						$ 304.6
Trailing 4 Quarter Average as of March 31, 2011						
Allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	$ 1,333.0	$ 565.1	$ 183.1	$ 589.8	$ 458.7	$ 3,129.7
Common shareholders' equity						$ 4,293.1
Operating return on allocated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	12.0%	9.4%	7.5%	-2.1%	-4.2%	6.3%
Return on equity						7.1%

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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 (loss) and consolidated net income (loss) for the twelve months ended March 31, 2011, 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)	$ 294.8	$ 102.2	$ 26.6	$ (2.5)	$ (118.7)	$ 302.4
Adjustment to investment income to reflect capital at 275%	(3.4)	(2.2)	0.4	0.4	4.8	-
Interest allocated on corporate debt	(40.5)	(16.9)	(5.6)	(17.4)	80.4	-
Income tax (expense) benefit	(90.4)	(29.9)	(7.6)	7.0	14.1	(106.8)
Segment operating return for purposes of calculating operating return on allocated capital	$ 160.5	$ 53.2	$ 13.8	$ (12.5)	$ (19.4)	195.6
Net realized investment gains, net of related amortization and taxes						18.1
Loss on extinguishment of debt						(4.1)
Valuation allowance for deferred tax assets						95.0
Net income						$ 304.6

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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 March 31, 2011						
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)	$ 1,333.0	$ 565.1	$ 183.1	$ 589.8	$ 458.7	$ 3,129.7
Net operating loss carryforwards	-	-	-	-	832.7	832.7
Accumulated other comprehensive income (loss)	184.0	43.2	17.2	90.1	(3.8)	330.7
Adjustment to reflect capital at 275% RBC	55.5	27.3	(4.7)	(24.0)	(54.1)	-
Allocation of corporate debt	505.1	214.2	69.4	224.1	(1,012.8)	-
Common shareholders' equity	$ 2,077.6	$ 849.8	$ 265.0	$ 880.0	$ 220.7	$ 4,293.1

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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)

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Average
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	$ 2,966.8	$ 3,025.9	$ 3,119.2	$ 3,233.9	$ 3,313.7	$ 3,129.7
Net operating loss carryforwards	856.3	838.1	797.0	853.1	829.1	832.7
Accumulated other comprehensive income (loss)	(103.0)	318.8	688.1	238.3	257.6	330.7
Common shareholders' equity	$ 3,720.1	$ 4,182.8	$ 4,604.3	$ 4,325.3	$ 4,400.4	$ 4,293.1

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)

	1Q10	2Q10	3Q10	4Q10	1Q11
Corporate notes payable	$ 1,037.2	$ 1,029.4	$ 1,029.8	$ 998.5	$ 949.8
Total shareholders' equity	3,720.1	4,182.8	4,604.3	4,325.3	4,400.4
Total capital	4,757.3	5,212.2	5,634.1	5,323.8	5,350.2
Corporate debt to capital	21.8%	19.7%	18.3%	18.8%	17.8%

	1Q10	2Q10	3Q10	4Q10	1Q11
Corporate notes payable	$ 1,037.2	$ 1,029.4	$ 1,029.8	$ 998.5	$ 949.8
Add unamortized discount on debt	7.9	15.7	15.3	19.5	18.2
Par value of notes payable	1,045.1	1,045.1	1,045.1	1,018.0	968.0
Interest payable and other items	5.5	1.5	6.5	3.1	14.2
Debt as adjusted	1,050.6	1,046.6	1,051.6	1,021.1	982.2
Total shareholders' equity	3,720.1	4,182.8	4,604.3	4,325.3	4,400.4
Less accumulated other comprehensive (income) loss	103.0	(318.8)	(688.1)	(238.3)	(257.6)
Total capital	$ 4,873.7	$ 4,910.6	$ 4,967.8	$ 5,108.1	$ 5,125.0
Debt to total capital ratio, as defined in our Senior Secured Credit Agreement (a non-GAAP financial measure)	21.6%	21.3%	21.2%	20.0%	19.2%