

# CNO FINANCIAL GROUP, INC.

## FORM 8-K

(Current report filing)

Filed 04/28/14 for the Period Ending 04/28/14

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

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**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): **April 28, 2014**

**CNO Financial Group, Inc.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other  
Jurisdiction of Incorporation)

**001-31792**

(Commission File Number)

**11825 North Pennsylvania Street  
Carmel, Indiana 46032**

(Address of Principal Executive Offices) (Zip Code)

**(317) 817-6100**

(Registrant's telephone number, including area code)

**75-3108137**  
(I.R.S. Employer  
Identification No.)

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 2.02. Results of Operations and Financial Condition.**

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On April 28, 2014, CNO Financial Group, Inc. (the "Company") issued: (i) a press release announcing its financial results for the quarter ended March 31, 2014, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference; and (ii) additional information related to the Company's financial and operating results for the quarter ended March 31, 2014, copies of which are attached hereto as Exhibits 99.2 and 99.3 and are incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibits 99.1, 99.2 and 99.3) 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.**

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

- 99.1 Press release dated April 28, 2014 related to financial results for the quarter ended March 31, 2014.
- 99.2 Quarterly Financial Supplement - 1Q2014.
- 99.3 First Quarter 2014 Financial and Operating Results for the period ended March 31, 2014.

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: April 28, 2014

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



# News

## For Immediate Release

Contact: (News Media) Barbara Ciesemier +1.312.396.7461  
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### **CNO Financial Group Reports First Quarter 2014 Results Growth in Sales, Collected Premiums and Operating Earnings Continued Strength in Key Capital Ratios**

**Carmel, Ind., April 28, 2014** - CNO Financial Group, Inc. (NYSE: CNO) today announced first quarter of 2014 operating earnings (1) of \$59.9 million, or 27 cents per diluted share compared to \$45.6 million, or 19 cents per diluted share, in the first quarter of 2013. CNO reported a net loss for the first quarter of 2014 of \$228.0 million, or \$1.03 per diluted share, driven by the loss of \$298.0 million, or \$1.35 per diluted share, from the previously announced transaction to sell 100% of the common stock of Conseco Life Insurance Company ("CLIC").

"We are pleased to report that CNO continues to deliver strong performance with growth in operating earnings per share, sales and collected premiums," CEO Ed Bonach said. "In addition, the pending sale of CLIC and the recently completed long-term care reinsurance transaction enable us to shed the legacy of the past and devote our attention to our core business segments and meeting the needs of the large, growing, underserved middle-income market."

#### **First Quarter 2014 Highlights**

- Sales, as defined by total new annualized premium ("NAP") (2): \$101.9 million, up 4% from 1Q13
- Collected premium from our continuing operating segments (3): \$815.7 million up 2% from 1Q13
- Net income (loss) per diluted share: \$(1.03) in 1Q14 (including \$(1.35) from the loss on the pending sale of CLIC) compared to 5 cents in 1Q13 (including (24) cents from the loss on extinguishment of debt)
- Net operating income (1) per diluted share: 27 cents compared to 19 cents in 1Q13
- Consolidated risk-based capital ratio was 427%, reflecting statutory operating earnings of \$92.2 million and net dividends to the holding company of \$40 million
- Unrestricted cash and investments held by our holding company were \$306 million at March 31, 2014, after \$58.8 million of common stock repurchases, dividends and debt payments

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Quarterly Segment Operating Results

	Three months ended	
	March 31,	
	2014	2013
	(Dollars in millions, except per share data)	
EBIT (5):		
Bankers Life	\$ 84.2	\$ 62.1
Washington National	31.1	34.0
Colonial Penn	(6.2)	(5.4)
Other CNO Business:		
Loss from the long-term care business reinsured in 4Q13	—	(2.7)
Overhead expense of CLIC expected to continue after the sale	—	(4.6)
EBIT from business segments continuing after the CLIC sale	109.1	83.4
Corporate Operations, excluding corporate interest expense	(6.0)	3.0
EBIT from operations continuing after the CLIC sale	103.1	86.4
Corporate interest expense	(11.1)	(15.1)
Operating earnings before taxes	92.0	71.3
Tax expense on operating income	32.1	25.7
Net operating income (1)	59.9	45.6
Earnings of CLIC being sold (net of taxes)	6.7	5.5
Loss on operations of CLIC being sold (including impact of taxes)	(298.0)	—
Net realized investment gains (net of related amortization and taxes)	13.6	8.0
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	(7.2)	1.3
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	(3.0)	(1.8)
Loss on extinguishment of debt (net of taxes)	—	(57.2)
Valuation allowance for deferred tax assets and other tax items	—	10.5
Net income (loss)	\$ (228.0)	\$ 11.9
Per diluted share:*		
Net operating income	\$ .27	\$ .19
Earnings of CLIC being sold (net of taxes)	.03	.02
Loss on operations of CLIC being sold (including impact of taxes)	(1.35)	—
Net realized investment gains (net of related amortization and taxes)	.06	.04
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	(.03)	.01
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	(.01)	(.01)
Loss on extinguishment of debt (net of taxes)	—	(.24)
Valuation allowance for deferred tax assets and other tax items	—	.04
Net income (loss)	\$ (1.03)	\$ .05

\* The weighted average diluted shares used to calculate 1Q14 earnings per share amounts exclude 5.8 million of equivalent shares, since such shares are anti-dilutive due to the net loss recognized in the quarter.

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The following table summarizes the financial impact of a significant item on our 1Q14 net operating income (dollars in millions, except per share amounts):

	Three months ended March 31, 2014*		
	Actual results	Significant item	Excluding significant item
Net Operating Income (1):			
Bankers Life	\$ 84.2	\$ —	\$ 84.2
Washington National	31.1	—	31.1
Colonial Penn	(6.2)	—	(6.2)
EBIT from business segments continuing after the CLIC sale	109.1	—	109.1
Corporate Operations, excluding corporate interest expense	(6.0)	3.0	(3.0)
EBIT from operations continuing after the CLIC sale (5)	103.1	3.0	106.1
Corporate interest expense	(11.1)	—	(11.1)
Operating earnings before taxes	92.0	3.0	95.0
Tax expense on operating income	32.1	1.1	33.2
Net operating income	\$ 59.9	\$ 1.9	\$ 61.8
Net operating income per diluted share	\$ .27	\$ .01	\$ .28

The significant item in 1Q14 is an accrual adjustment primarily related to incentive compensation which impacted the Corporate Operations segment.

\* See page 9 for the table of Net Operating Income Excluding Significant Item for the three months ended March 31, 2013.

### Segment Results

These results reflect changes we made to our segment reporting due to the CLIC operations being sold, as further described in our Form 8-K dated April 22, 2014.

**Bankers Life** markets and distributes a variety of insurance products to middle-income Americans at or near retirement through a dedicated field force of career agents. NAP in 1Q14 was \$63.1 million, up 4 percent from 1Q13 reflecting higher sales of life and annuity products. Increased sales of Medicare Advantage policies, which are not included in NAP, contributed to higher fee income in the quarter. Collected premiums were up 2% in 1Q14 compared to 1Q13, driven by strong sales. Increased agent productivity offset a 3% decrease in average agent count, reflecting our emphasis on increasing sales generated per agent.

Pre-tax operating earnings in 1Q14 compared to 1Q13 were up \$22.1 million, or 36 percent. Earnings in 1Q14 continued to reflect favorable reserve developments in the Medicare supplement block, favorable mortality and increased earnings from favorable annuity margins.

Pre-tax operating earnings in 1Q14 included approximately \$2 million of overhead expenses that were allocated to the Other CNO Business segment in previous quarters and are expected to continue after the completion of the sale of CLIC.

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Pre-tax operating earnings in 1Q13 reflect an out-of-period adjustment related to the long-term care block which reduced earnings by \$9.2 million.

**Washington National** markets and distributes supplemental health and life insurance to middle-income consumers through a wholly-owned subsidiary and independent insurance agencies. NAP in 1Q14 was \$22.0 million, up 7 percent from 1Q13 primarily driven by strong supplemental health sales in both the worksite and individual markets. Collected premiums from the segment's supplemental health block were up 5 percent in 1Q14 compared to 1Q13, driven by strong sales and persistency.

Pre-tax operating earnings in 1Q14 compared to 1Q13 were down \$2.9 million, or 9 percent primarily resulting from unfavorable annuity margins and approximately \$2 million of overhead expenses that were allocated to the Other CNO Business segment in previous quarters and are expected to continue after the completion of the sale of CLIC.

**Colonial Penn** markets primarily graded benefit and simplified issue life insurance directly to customers through television advertising, direct mail, the internet and telemarketing. NAP in 1Q14 was \$16.8 million, down 1 percent from 1Q13, reflecting timing differences in lead generation efforts. Collected premiums were up 7 percent in 1Q14 compared to 1Q13, driven by growth in the block.

Pre-tax operating earnings (loss) in 1Q14 reflected higher marketing expenses as a result of higher television advertising costs as compared to 1Q13, partially offset by favorable mortality. In-force EBIT was \$10.3 million, up 17 percent from 1Q13, reflecting the growth in the block.

Recognizing the accounting standard related to deferred acquisition costs, the amount of our investment in new business during a particular period will have a significant impact on this segment's results. We expect this segment to report a pre-tax loss of approximately \$5 million in 2014.

**Corporate Operations** includes our investment advisory subsidiary and corporate expenses.

Pre-tax earnings (loss) in 1Q14 compared to 1Q13 reflect higher expenses in 1Q14 and higher investment results in 1Q13, primarily related to the investments underlying our Company-owned life insurance (which supports a deferred compensation program for certain agents).

Pre-tax earnings (loss) in 1Q14 reflected higher expenses of \$3 million primarily related to accrual adjustments for incentive compensation.

Pre-tax earnings in 1Q13, included earnings on the investments underlying our Company-owned life insurance of \$4.6 million (compared to \$1.0 million in 1Q14), reflecting the favorable market conditions in 1Q13.

**Non-Operating Items Related to Operations of CLIC Being Sold**

We entered into a definitive agreement to sell 100% of the common stock of CLIC to Wilton Reassurance Company ("Wilton Re") in 1Q14. The sale of CLIC is subject to customary closing conditions and certain regulatory approvals, and is expected to close mid-year 2014. The estimated loss on the disposition of \$298.0 million was recognized in 1Q14. The estimated loss will be further adjusted through the date of closing to reflect changes in CLIC's statutory capital and surplus.

The transaction meets the criteria for held for sale accounting. As a result, the assets and liabilities of CLIC being sold are included as single line items in the asset and liability sections of our consolidated balance sheet as of March 31, 2014.

The earnings related to the CLIC business being sold to Wilton Re are also reflected as non-operating items. Such earnings, net of taxes, were \$6.7 million in 1Q14 and \$5.5 million in 1Q13.

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### **Other Non-Operating Items**

Net realized investment gains in 1Q14 were \$13.6 million (net of related amortization and taxes) including total other-than-temporary impairment losses of \$11.9 million recorded in earnings. Impairment losses in 1Q14 reflect the writedown of a commercial mortgage loan and certain legacy investments in private companies. Net realized investment gains in 1Q13 were \$8.0 million (net of related amortization and taxes), with no other-than-temporary impairment losses.

During 1Q14 and 1Q13, we recognized an increase (decrease) in earnings of \$(7.2) million and \$1.3 million, respectively, resulting from changes in the estimated fair value of embedded derivative liabilities related to our fixed index annuities, net of related amortization and income taxes. Such amounts reflect the changes in market interest rates used to determine the derivative's estimated fair value.

The results for 1Q13 included a \$57.2 million loss on extinguishment of debt, net of taxes, related to the completion of a tender offer pursuant to which we purchased \$59.3 million aggregate principal amount of our 7.0% Convertible Senior Debentures due 2016.

In 1Q13, we reduced the valuation allowance for deferred tax assets by \$10.5 million resulting from the utilization of capital loss carryforwards during the period.

### **Statutory (based on non-GAAP measures) and GAAP Capital Information**

Our consolidated statutory risk-based capital ratio was 427% at March 31, 2014, reflecting 1Q14 consolidated statutory operating earnings of \$92.2 million and the payment of net dividends to the holding company of \$40 million during the quarter.

During the first quarter of 2014, we repurchased \$41.0 million of securities under our repurchase program (including \$8 million of repurchases settled in 2Q14). We repurchased 2.2 million common shares at an average cost of \$18.63 per share. CNO anticipates repurchasing securities at the higher end of the previously announced range of \$225 million to \$300 million during 2014, absent compelling alternatives. As of March 31, 2014, we had 219.3 million shares outstanding and had authority to repurchase up to an additional \$356.4 million of our common stock.

During 1Q14, we also paid common stock dividends of \$13.3 million.

Book value per diluted share, excluding accumulated other comprehensive income (loss) (6), was \$17.52 at March 31, 2014, compared to \$18.62 at December 31, 2013. The decrease primarily reflects the loss recognized on the transaction to sell CLIC, partially offset by our 1Q14 operating earnings.

Our debt-to-total capital ratio, excluding accumulated other comprehensive income (4) at March 31, 2014, was 17.6 percent, an increase of 70 basis points from December 31, 2013, reflecting the decrease to capital from the loss recognized on the transaction to sell CLIC and debt repayments of \$12.5 million. Unrestricted cash and investments held by our holding company were \$306 million at March 31, 2014, compared to \$309 million at December 31, 2013.

### **Conference Call**

The Company will host a conference call to discuss results on April 28, 2014 at 11:00 a.m. Eastern Time. The webcast can be accessed through the Investors section of the company's website: <http://ir.CNOinc.com>. Participants should go to the website at least 15 minutes before the event to register and download any necessary audio software. During the call, we will be referring to a presentation that will be available the morning of the call at the Investors section of the company's website.

### **About CNO Financial Group**

CNO Financial Group, Inc. (NYSE: CNO) is a holding company. Our insurance subsidiaries - principally Bankers Life and Casualty Company, Colonial Penn Life Insurance Company and Washington National Insurance Company - primarily serve middle-income pre-retiree and retired Americans by helping them protect against financial adversity and provide for a more secure retirement. For more information, visit CNO online at [www.CNOinc.com](http://www.CNOinc.com).

- Tables Follow -

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
(Dollars in millions)  
(unaudited)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: March 31, 2014 - \$18,465.6; December 31, 2013 - \$21,860.6)	\$ 20,143.8	\$ 23,178.3
Equity securities at fair value (cost: March 31, 2014 - \$260.5; December 31, 2013 - \$237.9)	277.6	249.3
Mortgage loans	1,501.7	1,729.5
Policy loans	102.6	277.0
Trading securities	235.5	247.6
Investments held by variable interest entities	1,134.1	1,046.7
Other invested assets	409.5	423.3
Total investments	23,804.8	27,151.7
Cash and cash equivalents - unrestricted	285.4	699.0
Cash and cash equivalents held by variable interest entities	140.3	104.3
Accrued investment income	259.3	286.9
Present value of future profits	527.7	679.3
Deferred acquisition costs	740.4	968.1
Reinsurance receivables	3,072.8	3,392.1
Income tax assets, net	870.7	1,147.2
Assets held in separate accounts	10.0	10.3
Other assets	401.0	341.7
Assets of CLIC being sold	4,346.3	—
Total assets	\$ 34,458.7	\$ 34,780.6
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Liabilities for insurance products:		
Policyholder account balances	\$ 10,625.3	\$ 12,776.4
Future policy benefits	10,138.6	11,222.5
Liability for policy and contract claims	482.2	566.0
Unearned and advanced premiums	279.5	300.6
Liabilities related to separate accounts	10.0	10.3
Other liabilities	727.4	590.6
Payable to reinsurer	—	590.3
Investment borrowings	1,499.4	1,900.0
Borrowings related to variable interest entities	1,019.4	1,012.3
Notes payable – direct corporate obligations	844.1	856.4
Liabilities of CLIC being sold	4,122.6	—
Total liabilities	29,748.5	29,825.4
Commitments and Contingencies		
Shareholders' equity:		
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: March 31, 2014 – 219,266,947; December 31, 2013 – 220,323,823)	2.2	2.2
Additional paid-in capital	4,054.7	4,092.8
Accumulated other comprehensive income	766.2	731.8
Retained earnings (accumulated deficit)	(112.9)	128.4
Total shareholders' equity	4,710.2	4,955.2
Total liabilities and shareholders' equity	\$ 34,458.7	\$ 34,780.6

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

(Dollars in millions, except per share data)  
(unaudited)

	Three months ended	
	March 31,	
	2014	2013
Revenues:		
Insurance policy income	\$ 685.9	\$ 691.2
Net investment income:		
General account assets	348.1	351.9
Policyholder and reinsurer accounts and other special-purpose portfolios	20.9	77.7
Realized investment gains (losses):		
Net realized investment gains, excluding impairment losses	35.3	15.3
Other-than-temporary impairment losses:		
Total other-than-temporary impairment losses	(11.9)	—
Portion of other-than-temporary impairment losses recognized in accumulated other comprehensive income	—	—
Net impairment losses recognized	(11.9)	—
Total realized gains (losses)	23.4	15.3
Fee revenue and other income	6.4	6.5
Total revenues	1,084.7	1,142.6
Benefits and expenses:		
Insurance policy benefits	690.3	754.1
Loss on sale of subsidiary	278.6	—
Interest expense	24.6	27.3
Amortization	66.7	79.3
Loss on extinguishment of debt	—	57.7
Other operating costs and expenses	194.1	189.6
Total benefits and expenses	1,254.3	1,108.0
Income (loss) before income taxes	(169.6)	34.6
Income tax expense (benefit):		
Tax expense on period income	39.0	33.2
Valuation allowance for deferred tax assets and other tax items	19.4	(10.5)
Net income (loss)	\$ (228.0)	\$ 11.9
Earnings per common share:		
Basic:		
Weighted average shares outstanding	220,307,000	222,081,000
Net income (loss)	\$ (1.03)	\$ .05
Diluted:		
Weighted average shares outstanding	220,307,000	243,467,000
Net income (loss)	\$ (1.03)	\$ .05

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**EBIT FROM BUSINESS SEGMENTS**  
**SUMMARIZED BY IN-FORCE AND NEW BUSINESS (7)**  
 (Dollars in millions)

	Three months ended	
	March 31,	
	2014	2013
EBIT (5) from In-force and New Business		
<b>Bankers Life segment:</b>		
In-Force Business	\$ 122.4	\$ 96.1
New Business	(38.2)	(34.0)
Total	\$ 84.2	\$ 62.1
<b>Washington National segment:</b>		
In-Force Business	\$ 33.9	\$ 37.3
New Business	(2.8)	(3.3)
Total	\$ 31.1	\$ 34.0
<b>Colonial Penn segment:</b>		
In-Force Business	\$ 10.3	\$ 8.8
New Business	(16.5)	(14.2)
Total	\$ (6.2)	\$ (5.4)
<b>Other CNO Business:</b>		
In-Force Business	\$ —	\$ (7.3)
New Business	—	—
Total	\$ —	\$ (7.3)
<b>Total Business segments:</b>		
In-Force Business	\$ 166.6	\$ 134.9
New Business	(57.5)	(51.5)
Total EBIT from business segments continuing after the CLIC sale	\$ 109.1	\$ 83.4

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NET OPERATING INCOME EXCLUDING SIGNIFICANT ITEM\***  
 (Dollars in millions, except per share data)

	Three months ended March 31, 2013*		
	Actual results	Significant item	Excluding significant item
Net Operating Income (1):			
Bankers Life	\$ 62.1	\$ 9.2	\$ 71.3
Washington National	34.0	—	34.0
Colonial Penn	(5.4)	—	(5.4)
Other CNO Business:			
Losses from the long-term care business reinsured effective December 31, 2013	(2.7)	—	(2.7)
Overhead expense of CLIC expected to continue after the completion of the sale	(4.6)	—	(4.6)
EBIT from business segments continuing after the CLIC sale	83.4	9.2	92.6
Corporate Operations, excluding corporate interest expense	3.0	—	3.0
EBIT from operations continuing after the CLIC sale (5)	86.4	9.2	95.6
Corporate interest expense	(15.1)	—	(15.1)
Operating earnings before taxes	71.3	9.2	80.5
Tax expense on operating income	25.7	3.2	28.9
Net operating income	\$ 45.6	\$ 6.0	\$ 51.6
Net operating income per diluted share	\$ .19	\$ .03	\$ .22

\* This table summarizes the financial impact of a significant item (as described in the segment results section of this press release) on our 1Q13 net operating income.

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**COLLECTED PREMIUMS**  
**FROM CONTINUING OPERATING SEGMENTS**  
(Dollars in millions)

	Three months ended	
	March 31,	
	2014	2013
<b>Bankers Life segment :</b>		
Medicare supplement	\$ 179.4	\$ 185.2
Long-term care	123.7	135.4
PDP and other health	8.8	12.9
Supplemental health	3.6	1.6
Life	94.0	89.5
Annuity	190.5	165.6
Total	600.0	590.2
<b>Washington National segment :</b>		
Supplemental health	125.9	120.3
Medicare supplement and other health	21.7	27.4
Life	6.5	6.3
Annuity	.6	.9
Total	154.7	154.9
<b>Colonial Penn segment:</b>		
Life	60.1	56.1
Supplemental health	.9	1.1
Total	61.0	57.2
Total collected premiums from continuing operating segments	\$ 815.7	\$ 802.3

**NEW ANNUALIZED PREMIUMS (2)**  
(Dollars in millions)

	Three months ended	
	March 31,	
	2014	2013
<b>Bankers Life segment :</b>		
Medicare supplement	\$ 19.0	\$ 19.1
Long-term care	4.6	6.1
Supplemental health	2.2	2.8
Life	26.0	22.5
Annuity	11.3	10.0
Total	63.1	60.5
<b>Washington National segment :</b>		
Supplemental health	21.3	19.2
Life	.7	1.4
Total	22.0	20.6
<b>Colonial Penn segment:</b>		
Life	16.8	17.0
Total	16.8	17.0
Total new annualized premiums	\$ 101.9	\$ 98.1

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**CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**BENEFIT RATIOS ON MAJOR HEALTH LINES OF BUSINESS**

	Three months ended	
	March 31,	
	2014	2013
<b>Bankers Life segment :</b>		
Medicare Supplement:		
Earned premium	\$195 million	\$188 million
Benefit ratio (8)	67.7%	68.5%
Long-Term Care:		
Earned premium	\$129 million	\$135 million
Benefit ratio (8)	131.9%	129.4%
Interest-adjusted benefit ratio (a non-GAAP measure) (9)	81.0%	81.7%
<b>Washington National segment :</b>		
Medicare Supplement:		
Earned premium	\$23 million	\$27 million
Benefit ratio (8)	63.9%	65.0%
Supplemental health:		
Earned premium	\$125 million	\$118 million
Benefit ratio (8)	79.2%	79.3%
Interest-adjusted benefit ratio (a non-GAAP measure) (9)	53.2%	53.1%

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## NOTES

- (1) Management believes that an analysis of Net income applicable to common stock before: (i) the loss on the operations of CLIC being sold; (ii) the earnings of CLIC being sold; (iii) loss on reinsurance transaction; (iv) net realized investment gains or losses, net of related amortization and taxes; (v) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, net of related amortization and taxes; (vi) equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, net of taxes; (vii) loss on extinguishment of debt, net of taxes; and (viii) changes in the valuation allowance for 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 the items excluded from net operating income can be affected by events that are unrelated to the company's underlying fundamentals. Net realized investment gains or losses include: (i) gains or losses on the sales of investments; (ii) other-than-temporary impairments recognized through net income; and (iii) changes in fair value of certain fixed maturity investments with embedded derivatives. A reconciliation of Net operating income to Net income applicable to common stock is provided in the table on page 2. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors - SEC Filings" section of CNO's website, [www.CNOinc.com](http://www.CNOinc.com).
- (2) Measured by new annualized premium, which includes 6% of annuity and 10% of single premium whole life deposits and 100% of all other premiums. Medicare Advantage sales are not comparable to other sales and are therefore excluded in all periods.
- (3) Collected premiums from our core operating segments include premiums collected in our Bankers Life, Washington National and Colonial Penn segments. Collected premiums from all sources (including CLIC operations held for sale and the reinsured long-term care business included in the former Other CNO Business segment) were \$851.9 million in 1Q14, up 1% from 1Q13.
- (4) The calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. The corresponding GAAP measures for debt-to-total capital were 15.2% and 14.7% at March 31, 2014 and December 31, 2013, respectively.
- (5) Management believes that an analysis of earnings before the loss on the operations of CLIC being sold, the earnings of CLIC being sold, loss on reinsurance transaction, net realized investment gains (losses), fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, corporate interest expense, loss on extinguishment of debt and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because these items are unrelated to the company's underlying fundamentals. A reconciliation of EBIT to Net Income applicable to common stock is provided in the table on page 2.
- (6) Book value per diluted share reflects the potential dilution that could occur if outstanding stock options and warrants were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, warrants, restricted shares and performance units is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options and warrants (or the unrecognized compensation expense with respect to restricted stock and performance units) will be used to purchase shares of our common stock at the closing market price on the last day of the period. The dilution from convertible securities is calculated assuming the securities were converted on the last day of the period. In addition, the calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. The corresponding GAAP measures for book value per common share were \$21.48 and \$22.49 at March 31, 2014 and December 31, 2013, respectively.
- (7) Management believes that an analysis of EBIT, separated between in-force and new business provides increased clarity around the value drivers of our business, particularly since the new business results are significantly impacted by the rate of sales, mix of business and the distribution channel through which new sales are made. EBIT from new business includes pre-tax revenues and expenses associated with new sales of our insurance products during the first year after the sale is completed. EBIT from in-force business includes all pre-tax revenues and expenses associated with sales of insurance products that were completed more than one year before the end of the reporting period. The allocation of certain revenues and expenses between new and in-force business is based on estimates, which we believe are reasonable.
- (8) The benefit ratio is calculated by dividing the related product's insurance policy benefits by insurance policy income.

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(9)The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less imputed interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by the imputed interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the effects of such interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors - SEC Filings" section of CNO Financial's website, [www.CNOinc.com](http://www.CNOinc.com).

**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," "guidance," "outlook" 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 reductions in investment income, the margins of our fixed annuity and life insurance businesses, and sales of, and demand for, our products; (ii) expectations of lower future investment earnings may cause us to accelerate amortization, write down the balance of insurance acquisition costs or establish additional liabilities for insurance products; (iii) 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; (iv) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (v) our ability to make anticipated changes to certain non-guaranteed elements of our life insurance products; (vi) our ability to obtain adequate and timely rate increases on our health products, including our long-term care business; (vii) the receipt of any required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (viii) 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; (ix) changes in our assumptions related to deferred acquisition costs or the present value of future profits; (x) the recoverability of our deferred tax assets and the effect of potential ownership changes and tax rate changes on their value; (xi) our assumption that the positions we take on our tax return filings will not be successfully challenged by the Internal Revenue Service; (xii) changes in accounting principles and the interpretation thereof (including changes in principles related to accounting for deferred acquisition costs); (xiii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xiv) 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, (xv) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xvi) 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; (xvii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (xviii) our ability to maintain effective controls over financial reporting; (xix) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xx) our ability to achieve additional 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; (xxi) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xxii) 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; (xxiii) closing of the sale of Conseco Life Insurance Company; and (xxiv) 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.*

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# Quarterly Financial Supplement - 1Q2014

April 28, 2014

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**CNO Financial Group, Inc.**

<b>Consolidated balance sheet (in millions)</b>	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
<b>Assets</b>					
Investments:					
Fixed maturities, available for sale, at fair value	\$ 24,894.5	\$ 23,623.0	\$ 23,497.7	\$ 23,178.3	\$ 20,143.8
Equity securities at fair value	216.9	241.3	262.0	249.3	277.6
Mortgage loans	1,639.8	1,692.2	1,635.1	1,729.5	1,501.7
Policy loans	271.5	269.1	267.5	277.0	102.6
Trading securities	229.8	241.0	246.6	247.6	235.5
Investments held by variable interest entities	1,009.9	1,087.9	1,080.7	1,046.7	1,134.1
Other invested assets	309.7	312.6	330.6	423.3	409.5
Total investments	28,572.1	27,467.1	27,320.2	27,151.7	23,804.8
Cash and cash equivalents - unrestricted	251.6	280.0	376.7	699.0	285.4
Cash and cash equivalents held by variable interest entities	462.2	210.7	85.1	104.3	140.3
Accrued investment income	315.8	294.8	306.2	286.9	259.3
Present value of future profits	606.6	591.6	578.9	679.3	527.7
Deferred acquisition costs	654.4	762.1	846.0	968.1	740.4
Reinsurance receivables	2,879.5	2,838.0	2,822.4	3,392.1	3,072.8
Income tax assets, net	708.5	931.2	1,135.7	1,147.2	870.7
Assets held in separate accounts	15.5	15.0	13.3	10.3	10.0
Other assets	433.0	385.1	432.6	341.7	401.0
Assets of CLIC being sold	—	—	—	—	4,346.3
Total assets	\$ 34,899.2	\$ 33,775.6	\$ 33,917.1	\$ 34,780.6	\$ 34,458.7
<b>Liabilities</b>					
Liabilities for insurance products:					
Policyholder account balances	\$ 12,833.4	\$ 12,774.4	\$ 12,766.1	\$ 12,776.4	\$ 10,625.3
Future policy benefits	11,311.7	11,017.9	11,058.3	11,222.5	10,138.6
Liability for policy and contract claims	563.5	554.2	551.7	566.0	482.2
Unearned and advanced premiums	285.7	278.5	274.5	300.6	279.5
Liabilities related to separate accounts	15.5	15.0	13.3	10.3	10.0
Other liabilities	903.0	626.8	712.7	590.6	727.4
Payable to reinsurer	—	—	—	590.3	—
Investment borrowings	1,880.2	1,878.0	1,850.2	1,900.0	1,499.4
Borrowings related to variable interest entities	1,143.4	1,143.7	1,035.1	1,012.3	1,019.4
Notes payable - direct corporate obligations	934.2	905.7	868.6	856.4	844.1
Liabilities of CLIC being sold	—	—	—	—	4,122.6
Total liabilities	29,870.6	29,194.2	29,130.5	29,825.4	29,748.5
<b>Shareholders' equity</b>					
Common stock	2.2	2.2	2.2	2.2	2.2
Additional paid-in capital	4,173.2	4,128.2	4,121.3	4,092.8	4,054.7
Retained earnings (accumulated deficit)	(317.5)	(247.1)	29.1	128.4	(112.9)
Total shareholders' equity before accumulated other comprehensive income	3,857.9	3,883.3	4,152.6	4,223.4	3,944.0
Accumulated other comprehensive income	1,170.7	698.1	634.0	731.8	766.2
Total shareholders' equity	5,028.6	4,581.4	4,786.6	4,955.2	4,710.2
Total liabilities and shareholders' equity	\$ 34,899.2	\$ 33,775.6	\$ 33,917.1	\$ 34,780.6	\$ 34,458.7
	1Q13	2Q13	3Q13	4Q13	1Q14
Book value per share at period-end (1) (2)	\$ 17.26	\$ 17.70	\$ 18.70	\$ 19.17	\$ 17.99
Book value per diluted share (1) (3)	\$ 16.57	\$ 17.01	\$ 18.24	\$ 18.62	\$ 17.52

**CNO Financial Group, Inc.**

<b>Consolidated statement of operations (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Revenues</b>						
Insurance policy income	\$ 691.2	\$ 691.3	\$ 686.1	\$ 676.1	\$ 2,744.7	\$ 685.9
Net investment income (loss):						
General account assets	351.9	348.8	350.7	354.4	1,405.8	348.1
Policyholder and reinsurer accounts and other special-purpose portfolios	77.7	31.8	49.0	99.7	258.2	20.9
Realized investment gains (losses):						
Net realized investment gains, excluding impairment losses	15.3	3.8	2.8	23.1	45.0	35.3
Other-than-temporary impairment losses:						
Total other-than-temporary impairment losses	—	(0.6)	(2.9)	(8.1)	(11.6)	(11.9)
Portion of other-than-temporary impairment losses recognized in accumulated other comprehensive income	—	—	—	—	—	—
Net impairment losses recognized	—	(0.6)	(2.9)	(8.1)	(11.6)	(11.9)
Total realized gains (losses)	15.3	3.2	(0.1)	15.0	33.4	23.4
Fee revenue and other income	6.5	6.4	8.1	13.0	34.0	6.4
<b>Total revenues</b>	<b>1,142.6</b>	<b>1,081.5</b>	<b>1,093.8</b>	<b>1,158.2</b>	<b>4,476.1</b>	<b>1,084.7</b>
<b>Benefits and expenses</b>						
Insurance policy benefits	754.1	673.2	702.2	710.2	2,839.7	690.3
Loss on sale of subsidiary	—	—	—	—	—	278.6
Loss related to reinsurance transaction	—	—	—	98.4	98.4	—
Interest expense	27.3	26.9	25.8	25.3	105.3	24.6
Amortization	79.3	79.2	61.4	76.4	296.3	66.7
Loss on extinguishment of debt	57.7	7.7	—	—	65.4	—
Other operating costs and expenses	189.6	179.8	190.0	206.8	766.2	194.1
<b>Total benefits and expenses</b>	<b>1,108.0</b>	<b>966.8</b>	<b>979.4</b>	<b>1,117.1</b>	<b>4,171.3</b>	<b>1,254.3</b>
Income (loss) before income taxes	34.6	114.7	114.4	41.1	304.8	(169.6)
Income tax expense on period income	33.2	42.6	38.1	14.4	128.3	39.0
Valuation allowance for deferred tax assets and other tax items	(10.5)	(5.0)	(206.7)	(79.3)	(301.5)	19.4
<b>Net income (loss)</b>	<b>\$ 11.9</b>	<b>\$ 77.1</b>	<b>\$ 283.0</b>	<b>\$ 106.0</b>	<b>\$ 478.0</b>	<b>\$ (228.0)</b>

**CNO Financial Group, Inc.**
**Operating results (\$ in millions, except per share amounts)**

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
EBIT (4):						
Bankers Life	\$ 62.1	\$ 79.1	\$ 86.3	\$ 83.0	\$ 310.5	\$ 84.2
Washington National	34.0	35.8	33.0	37.8	140.6	31.1
Colonial Penn	(5.4)	1.2	(4.2)	(4.1)	(12.5)	(6.2)
Other CNO Business:						
Losses from the long-term care business reinsured effective December 31, 2013	(2.7)	(2.2)	(1.0)	(2.1)	(8.0)	—
Overhead expense of CLIC expected to continue after the completion of the sale	(4.6)	(5.0)	(4.7)	(5.3)	(19.6)	—
EBIT from business segments continuing after the CLIC sale	83.4	108.9	109.4	109.3	411.0	109.1
Corporate operations, excluding corporate interest expense	3.0	2.4	9.4	3.8	18.6	(6.0)
EBIT from operations continuing after the CLIC sale	86.4	111.3	118.8	113.1	429.6	103.1
Corporate interest expense	(15.1)	(13.1)	(11.7)	(11.4)	(51.3)	(11.1)
Operating earnings before taxes	71.3	98.2	107.1	101.7	378.3	92.0
Tax expense on operating income	25.7	34.3	34.4	35.5	129.9	32.1
Net operating income (5)	45.6	63.9	72.7	66.2	248.4	59.9
Earnings of CLIC being sold (net of taxes)	5.5	4.8	5.5	9.7	25.5	6.7
Loss on operations of CLIC being sold (including impact of taxes)	—	—	—	—	—	(298.0)
Loss related to reinsurance transaction (net of taxes)	—	—	—	(63.3)	(63.3)	—
Net realized investment gains (losses) (net of related amortization and taxes)	8.0	0.8	(1.1)	9.1	16.8	13.6
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	1.3	12.1	2.2	7.4	23.0	(7.2)
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	(1.8)	(2.7)	(3.0)	(2.4)	(9.9)	(3.0)
Loss on extinguishment of debt (net of taxes)	(57.2)	(6.8)	—	—	(64.0)	—
Valuation allowance for deferred tax assets and other tax items	10.5	5.0	206.7	79.3	301.5	—
Net income (loss)	\$ 11.9	\$ 77.1	\$ 283.0	\$ 106.0	\$ 478.0	\$ (228.0)
Per diluted share:						
Net operating income	\$ .19	\$ .28	\$ .32	\$ .29	\$ 1.07	\$ .27
Earnings of CLIC being sold (net of taxes)	.02	.02	.02	.04	.11	.03
Loss on operations of CLIC being sold (including impact of taxes)	—	—	—	—	—	(1.35)
Loss related to reinsurance transaction (net of taxes)	—	—	—	(.28)	(.27)	—
Net realized investment gains (losses) (net of related amortization and taxes)	.04	.01	(.01)	.04	.08	.06
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	.01	.05	.01	.04	.10	(.03)
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	(.01)	(.01)	(.01)	(.01)	(.04)	(.01)
Loss on extinguishment of debt (net of taxes)	(.24)	(.03)	—	—	(.28)	—
Valuation allowance for deferred tax assets and other tax items	.04	.02	.90	.35	1.29	—
Net income (loss)	\$ .05	\$ .34	\$ 1.23	\$ .47	\$ 2.06	\$ (1.03)

CNO Financial Group, Inc.

Computation of weighted average shares outstanding	1Q13	2Q13	3Q13	4Q13	2013	1Q14 (a)
(000s)						
<b>Basic</b>						
Shares outstanding, beginning of period	221,502.4	223,502.1	219,378.7	222,007.2	221,502.4	220,323.8
Weighted average shares issued during the period:						
Shares repurchased	—	(3,161.2)	(809.7)	(1,024.5)	(4,105.8)	(343.6)
Conversion of 7.0% convertible debentures	—	—	4,103.3	—	2,210.5	—
Stock options exercised and vested restricted and performance stock	678.8	157.6	204.9	80.4	2,307.6	393.4
Shares withheld for the payment of taxes on the vesting of restricted stock	(100.0)	(0.1)	(1.2)	(7.1)	(286.8)	(67.1)
Weighted average basic shares outstanding during the period	222,081.2	220,498.4	222,876.0	221,056.0	221,627.9	220,306.5
Basic shares outstanding, end of period	223,502.1	219,378.7	222,007.2	220,323.8	220,323.8	219,266.9
<b>Diluted</b>						
Weighted average basic shares outstanding	222,081.2	220,498.4	222,876.0	221,056.0	221,627.9	220,306.5
Common stock equivalent shares related to:						
7.0% convertible debentures	16,590.4	5,692.2	838.7	—	5,780.3	—
Stock options, restricted stock and performance units	2,828.3	2,410.8	2,858.6	3,005.2	2,775.7	—
Warrants	1,967.2	2,291.4	2,773.8	3,039.7	2,518.1	—
Weighted average diluted shares outstanding during the period	243,467.1	230,892.8	229,347.1	227,100.9	232,702.0	220,306.5
Diluted shares outstanding, end of period	234,865.1	229,928.4	227,693.4	226,867.8	226,867.8	225,106.7

(a) Equivalent common shares of 5,803.0 were not included in the diluted weighted average shares outstanding due to the net loss recognized in 1Q14.

**EBIT from Business Segments Continuing After the CLIC Sale Summarized by In-Force and New Business (6)**

(in millions)

**CNO Financial Group, Inc.**

<b>EBIT from In-Force Business</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Revenues</b>						
Insurance policy income	\$ 535.0	\$ 539.6	\$ 537.9	\$ 534.6	\$ 2,147.1	\$ 541.6
Net investment income	348.2	309.0	316.9	361.4	1,335.5	297.7
Fee revenue and other income	2.6	2.9	4.0	3.8	13.3	4.7
Total revenues	885.8	851.5	858.8	899.8	3,495.9	844.0
<b>Benefits and expenses</b>						
Insurance policy benefits	595.9	557.0	557.9	577.1	2,287.9	532.9
Interest expense	1.9	2.2	2.3	2.2	8.6	2.3
Amortization	68.6	57.6	50.3	59.8	236.3	61.6
Other operating costs and expenses	84.5	82.0	87.1	96.4	350.0	80.6
Total benefits and expenses	750.9	698.8	697.6	735.5	2,882.8	677.4
EBIT from In-Force Business	\$ 134.9	\$ 152.7	\$ 161.2	\$ 164.3	\$ 613.1	\$ 166.6
<b>EBIT from New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 99.0	\$ 96.7	\$ 92.7	\$ 90.9	\$ 379.3	\$ 90.8
Net investment income	9.7	5.7	9.6	15.4	40.4	6.4
Fee revenue and other income	1.5	1.5	2.3	2.1	7.4	1.0
Total revenues	110.2	103.9	104.6	108.4	427.1	98.2
<b>Benefits and expenses</b>						
Insurance policy benefits	70.9	63.9	64.3	68.0	267.1	58.6
Interest expense	—	—	—	—	—	—
Amortization	6.7	8.0	7.5	8.4	30.6	6.9
Other operating costs and expenses	84.1	75.8	84.6	87.0	331.5	90.2
Total benefits and expenses	161.7	147.7	156.4	163.4	629.2	155.7
EBIT from New Business	\$ (51.5)	\$ (43.8)	\$ (51.8)	\$ (55.0)	\$ (202.1)	\$ (57.5)
<b>EBIT from In-Force and New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 634.0	\$ 636.3	\$ 630.6	\$ 625.5	\$ 2,526.4	\$ 632.4
Net investment income	357.9	314.7	326.5	376.8	1,375.9	304.1
Fee revenue and other income	4.1	4.4	6.3	5.9	20.7	5.7
Total revenues	996.0	955.4	963.4	1,008.2	3,923.0	942.2
<b>Benefits and expenses</b>						
Insurance policy benefits	666.8	620.9	622.2	645.1	2,555.0	591.5
Interest expense	1.9	2.2	2.3	2.2	8.6	2.3
Amortization	75.3	65.6	57.8	68.2	266.9	68.5
Other operating costs and expenses	168.6	157.8	171.7	183.4	681.5	170.8
Total benefits and expenses	912.6	846.5	854.0	898.9	3,512.0	833.1
EBIT from In-Force and New Business	\$ 83.4	\$ 108.9	\$ 109.4	\$ 109.3	\$ 411.0	\$ 109.1

CNO Financial Group, Inc.

Bankers Life

Analysis of income before taxes (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Insurance policy income	\$ 418.0	\$ 419.1	\$ 407.4	\$ 404.2	\$ 1,648.7	\$ 416.3
Net investment income (loss):						
General account invested assets	212.8	211.0	212.4	217.8	854.0	219.8
Fixed index products	48.9	15.6	23.0	64.2	151.7	4.6
Fee revenue and other income	3.7	4.0	5.8	5.5	19.0	5.3
Total revenues	683.4	649.7	648.6	691.7	2,673.4	646.0
Insurance policy benefits (a)	373.8	370.4	357.0	346.3	1,447.5	365.7
Amounts added to policyholder account balances:						
Cost of interest credited to policyholders	35.9	36.0	35.3	34.7	141.9	32.9
Cost of options to fund index credits, net of forfeitures	11.8	11.9	11.7	12.0	47.4	12.0
Market value changes credited to policyholders	49.0	15.8	23.3	63.8	151.9	4.4
Amortization related to operations	54.5	45.7	39.7	47.6	187.5	48.2
Interest expense on investment borrowings	1.4	1.7	1.8	1.8	6.7	1.9
Other operating costs and expenses	94.9	89.1	93.5	102.5	380.0	96.7
Total benefits and expenses	621.3	570.6	562.3	608.7	2,362.9	561.8
EBIT (4)	\$ 62.1	\$ 79.1	\$ 86.3	\$ 83.0	\$ 310.5	\$ 84.2

Health underwriting margins (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Medicare supplement:						
Earned premium	\$ 188.4	\$ 189.2	\$ 190.7	\$ 190.3	\$ 758.6	\$ 194.5
Benefit ratio	68.5%	67.2%	67.0%	65.7%	67.1%	67.7%
Underwriting margin (earned premium less policy benefits)	\$ 59.4	\$ 62.0	\$ 62.9	\$ 65.3	\$ 249.6	\$ 62.9
PDP:						
Earned premium	\$ 8.9	\$ 10.8	\$ —	\$ —	\$ 19.7	\$ 6.8
Benefit ratio	74.9%	85.2%	N/A	N/A	80.5%	77.9%
Underwriting margin (earned premium less policy benefits)	\$ 2.2	\$ 1.6	\$ —	\$ —	\$ 3.8	\$ 1.5
Long-term care:						
Earned premium	\$ 135.3	\$ 134.1	\$ 132.6	\$ 130.9	\$ 532.9	\$ 129.1
Benefit ratio before interest income on reserves	129.4%	129.5%	128.4%	130.0%	129.3%	131.9%
Interest-adjusted benefit ratio	81.7%	81.4%	79.4%	80.0%	80.6%	81.0%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$ 24.8	\$ 25.0	\$ 27.3	\$ 26.1	\$ 103.2	\$ 24.5

CNO Financial Group, Inc.

Bankers Life

Average liabilities for insurance products (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Fixed index annuities	\$ 3,038.8	\$ 3,132.2	\$ 3,224.6	\$ 3,347.7	\$ 3,185.8	\$ 3,462.8
Deferred annuities	4,245.7	4,162.1	4,091.9	4,049.0	4,137.2	3,983.1
SPIAs and supplemental contracts:						
Mortality based	229.2	227.2	223.3	206.5	221.5	203.1
Deposit based	158.6	157.9	156.2	153.4	156.5	150.1
Health:						
Long-term care	4,837.7	4,651.7	4,507.3	4,532.0	4,632.2	4,568.0
Medicare supplement	337.4	333.3	326.6	332.3	332.4	338.2
Other health	45.1	45.3	45.3	45.7	45.4	46.5
Life:						
Interest sensitive	467.6	480.3	497.4	516.2	490.4	533.2
Non-interest sensitive	570.5	598.1	624.3	649.5	610.6	672.4
Total average liabilities for insurance products, net of reinsurance ceded	\$ 13,930.6	\$ 13,788.1	\$ 13,696.9	\$ 13,832.3	\$ 13,812.0	\$ 13,957.4

Present value of future profits (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 168.8	\$ 159.9	\$ 155.6	\$ 152.5	\$ 168.8	\$ 263.2
Amortization related to operations	(16.6)	(11.5)	(10.6)	(10.1)	(48.8)	(11.4)
Amortization related to net realized investment (gains) losses	(0.1)	—	—	—	(0.1)	—
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	7.8	7.2	7.5	120.8	143.3	(114.1)
Balance, end of period	\$ 159.9	\$ 155.6	\$ 152.5	\$ 263.2	\$ 263.2	\$ 137.7

Deferred acquisition costs (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 332.8	\$ 350.8	\$ 439.5	\$ 514.5	\$ 332.8	\$ 627.8
Deferred acquisition expenses	37.7	37.1	38.4	44.9	158.1	39.6
Amortization related to operations	(37.9)	(34.2)	(29.1)	(37.5)	(138.7)	(36.8)
Amortization related to net realized investment (gains) losses	(0.6)	(0.4)	—	(0.1)	(1.1)	—
Amortization related to fair value changes in embedded derivative liabilities	(1.1)	(9.1)	(1.6)	(5.1)	(16.9)	3.8
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	19.9	95.3	67.3	111.1	293.6	(193.6)
Balance, end of period	\$ 350.8	\$ 439.5	\$ 514.5	\$ 627.8	\$ 627.8	\$ 440.8

**Bankers Life Segment EBIT Summarized by In-Force and New Business (6)**

(in millions)

CNO Financial Group, Inc.	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>EBIT from In-Force Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 345.8	\$ 349.4	\$ 341.8	\$ 341.0	\$ 1,378.0	\$ 354.2
Net investment income (loss)	252.0	220.9	225.8	266.6	965.3	218.0
Fee revenue and other income	2.2	2.5	3.5	3.4	11.6	4.3
Total revenues	600.0	572.8	571.1	611.0	2,354.9	576.5
<b>Benefits and expenses</b>						
Insurance policy benefits	412.8	383.4	376.3	402.2	1,574.7	370.1
Interest expense	1.4	1.7	1.8	1.8	6.7	1.9
Amortization	48.7	38.7	33.2	40.3	160.9	42.5
Other operating costs and expenses	41.0	39.4	40.9	48.7	170.0	39.6
Total benefits and expenses	503.9	463.2	452.2	493.0	1,912.3	454.1
EBIT from In-Force Business	\$ 96.1	\$ 109.6	\$ 118.9	\$ 118.0	\$ 442.6	\$ 122.4
<b>EBIT from New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 72.2	\$ 69.7	\$ 65.6	\$ 63.2	\$ 270.7	\$ 62.1
Net investment income (loss)	9.7	5.7	9.6	15.4	40.4	6.4
Fee revenue and other income	1.5	1.5	2.3	2.1	7.4	1.0
Total revenues	83.4	76.9	77.5	80.7	318.5	69.5
<b>Benefits and expenses</b>						
Insurance policy benefits	57.7	50.7	51.0	54.6	214.0	44.9
Interest expense	—	—	—	—	—	—
Amortization	5.8	7.0	6.5	7.3	26.6	5.7
Other operating costs and expenses	53.9	49.7	52.6	53.8	210.0	57.1
Total benefits and expenses	117.4	107.4	110.1	115.7	450.6	107.7
EBIT from New Business	\$ (34.0)	\$ (30.5)	\$ (32.6)	\$ (35.0)	\$ (132.1)	\$ (38.2)
<b>EBIT from In-Force and New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 418.0	\$ 419.1	\$ 407.4	\$ 404.2	\$ 1,648.7	\$ 416.3
Net investment income (loss)	261.7	226.6	235.4	282.0	1,005.7	224.4
Fee revenue and other income	3.7	4.0	5.8	5.5	19.0	5.3
Total revenues	683.4	649.7	648.6	691.7	2,673.4	646.0
<b>Benefits and expenses</b>						
Insurance policy benefits	470.5	434.1	427.3	456.8	1,788.7	415.0
Interest expense	1.4	1.7	1.8	1.8	6.7	1.9
Amortization	54.5	45.7	39.7	47.6	187.5	48.2
Other operating costs and expenses	94.9	89.1	93.5	102.5	380.0	96.7
Total benefits and expenses	621.3	570.6	562.3	608.7	2,362.9	561.8
EBIT from In-Force and New Business	\$ 62.1	\$ 79.1	\$ 86.3	\$ 83.0	\$ 310.5	\$ 84.2

CNO Financial Group, Inc.

Washington National

Analysis of income before taxes (in millions)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Insurance policy income	\$ 152.9	\$ 153.1	\$ 159.2	\$ 156.3	\$ 621.5	\$ 155.6
Net investment income (loss):						
General account invested assets	69.8	68.3	69.1	67.8	275.0	68.2
Fixed index products	6.8	1.6	2.6	6.9	17.9	0.9
Trading account income related to reinsurer accounts	(0.4)	(2.5)	(0.5)	(0.3)	(3.7)	1.6
Change in value of embedded derivatives related to modified coinsurance agreements	0.4	2.5	0.5	0.3	3.7	(1.6)
Trading account income related to policyholder accounts	1.3	(0.1)	1.2	1.6	4.0	(0.1)
Fee revenue and other income	0.2	0.2	0.3	0.2	0.9	0.2
<b>Total revenues</b>	<b>231.0</b>	<b>223.1</b>	<b>232.4</b>	<b>232.8</b>	<b>919.3</b>	<b>224.8</b>
Insurance policy benefits	123.6	123.3	132.6	118.3	497.8	126.0
Amounts added to policyholder account balances:						
Cost of interest credited to policyholders	3.8	3.9	3.4	3.6	14.7	3.4
Cost of options to fund index credits, net of forfeitures	1.9	1.4	1.5	1.3	6.1	1.5
Market value changes credited to policyholders	8.4	1.7	4.1	8.6	22.8	0.9
Amortization related to operations	17.1	16.2	14.4	17.2	64.9	16.3
Interest expense on investment borrowings	0.5	0.5	0.5	0.4	1.9	0.4
Other operating costs and expenses	41.7	40.3	42.9	45.6	170.5	45.2
<b>Total benefits and expenses</b>	<b>197.0</b>	<b>187.3</b>	<b>199.4</b>	<b>195.0</b>	<b>778.7</b>	<b>193.7</b>
<b>EBIT (4)</b>	<b>\$ 34.0</b>	<b>\$ 35.8</b>	<b>\$ 33.0</b>	<b>\$ 37.8</b>	<b>\$ 140.6</b>	<b>\$ 31.1</b>

Health underwriting margins (in millions)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Medicare supplement:						
Earned premium	\$ 26.8	\$ 25.9	\$ 25.2	\$ 24.4	\$ 102.3	\$ 23.1
Benefit ratio	65.0%	65.5%	64.3%	63.6%	64.6%	63.9%
Underwriting margin (earned premium less policy benefits)	\$ 9.4	\$ 8.9	\$ 9.0	\$ 8.9	\$ 36.2	\$ 8.3
Supplemental health:						
Earned premium	\$ 117.8	\$ 119.0	\$ 121.1	\$ 123.6	\$ 481.5	\$ 125.1
Benefit ratio before interest income on reserves	79.3%	78.6%	80.8%	75.4%	78.5%	79.2%
Interest-adjusted benefit ratio	53.1%	52.6%	54.3%	49.2%	52.3%	53.2%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$ 55.3	\$ 56.4	\$ 55.4	\$ 62.7	\$ 229.8	\$ 58.5

CNO Financial Group, Inc.

<b>Washington National</b>						
<b>Average liabilities for insurance products (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Fixed index annuities	\$ 474.2	\$ 462.1	\$ 451.1	\$ 442.3	\$ 457.4	\$ 433.7
Deferred annuities	157.0	151.2	143.3	136.9	147.1	134.4
<b>SPIAs and supplemental contracts:</b>						
Mortality based	250.9	248.2	248.2	248.2	248.9	245.5
Deposit based	241.9	245.9	248.1	247.6	245.9	249.5
Separate Accounts	15.2	15.3	14.2	11.8	14.1	10.2
<b>Health:</b>						
Supplemental health	2,212.0	2,224.5	2,237.1	2,250.2	2,231.0	2,265.3
Medicare supplement	40.4	39.0	37.7	37.7	38.7	36.8
Other health	12.9	12.3	12.1	11.7	12.3	11.1
<b>Life:</b>						
Interest sensitive	167.1	166.7	164.9	166.3	166.2	165.8
Non-interest sensitive life	197.2	202.6	198.9	196.4	198.8	194.2
<b>Total average liabilities for insurance products, net of reinsurance ceded</b>	<b>\$ 3,768.8</b>	<b>\$ 3,767.8</b>	<b>\$ 3,755.6</b>	<b>\$ 3,749.1</b>	<b>\$ 3,760.4</b>	<b>\$ 3,746.5</b>

<b>Present value of future profits (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 375.9	\$ 367.7	\$ 359.8	\$ 352.2	\$ 375.9	\$ 344.3
Amortization related to operations	(8.4)	(8.7)	(7.7)	(8.0)	(32.8)	(7.9)
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	0.2	0.8	0.1	0.1	1.2	(0.2)
<b>Balance, end of period</b>	<b>\$ 367.7</b>	<b>\$ 359.8</b>	<b>\$ 352.2</b>	<b>\$ 344.3</b>	<b>\$ 344.3</b>	<b>\$ 336.2</b>

<b>Deferred acquisition costs (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 195.2	\$ 201.5	\$ 219.2	\$ 228.0	\$ 195.2	\$ 232.2
Deferred acquisition expenses	12.3	12.8	12.7	12.8	50.6	13.2
Amortization related to operations	(8.7)	(7.5)	(6.7)	(9.2)	(32.1)	(8.4)
Amortization related to net realized investment (gains) losses	(0.1)	—	(0.1)	(0.2)	(0.4)	(0.4)
Amortization related to fair value changes in embedded derivative liabilities	0.1	(1.4)	0.1	(0.9)	(2.1)	0.4
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	2.7	13.8	2.8	1.7	21.0	(6.2)
<b>Balance, end of period</b>	<b>\$ 201.5</b>	<b>\$ 219.2</b>	<b>\$ 228.0</b>	<b>\$ 232.2</b>	<b>\$ 232.2</b>	<b>\$ 230.8</b>

Washington National Segment EBIT Summarized by In-Force and New Business (6)

(in millions)

CNO Financial Group, Inc. EBIT from In-Force Business	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Revenues</b>						
Insurance policy income	\$ 137.4	\$ 137.6	\$ 143.3	\$ 139.7	\$ 558.0	\$ 138.1
Net investment income (loss)	77.9	69.8	72.9	76.3	296.9	69.0
Fee revenue and other income	0.2	0.2	0.3	0.2	0.9	0.2
Total revenues	215.5	207.6	216.5	216.2	855.8	207.3
<b>Benefits and expenses</b>						
Insurance policy benefits	131.0	123.7	134.8	124.7	514.2	124.5
Interest expense	0.5	0.5	0.5	0.4	1.9	0.4
Amortization	16.3	15.3	13.5	16.2	61.3	15.2
Other operating costs and expenses	30.4	30.2	32.6	33.3	126.5	33.3
Total benefits and expenses	178.2	169.7	181.4	174.6	703.9	173.4
EBIT from In-Force Business	\$ 37.3	\$ 37.9	\$ 35.1	\$ 41.6	\$ 151.9	\$ 33.9
<b>EBIT from New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 15.5	\$ 15.5	\$ 15.9	\$ 16.6	\$ 63.5	\$ 17.5
Net investment income (loss)	—	—	—	—	—	—
Fee revenue and other income	—	—	—	—	—	—
Total revenues	15.5	15.5	15.9	16.6	63.5	17.5
<b>Benefits and expenses</b>						
Insurance policy benefits	6.7	6.6	6.8	7.1	27.2	7.3
Interest expense	—	—	—	—	—	—
Amortization	0.8	0.9	0.9	1.0	3.6	1.1
Other operating costs and expenses	11.3	10.1	10.3	12.3	44.0	11.9
Total benefits and expenses	18.8	17.6	18.0	20.4	74.8	20.3
EBIT from New Business	\$ (3.3)	\$ (2.1)	\$ (2.1)	\$ (3.8)	\$ (11.3)	\$ (2.8)
<b>EBIT from In-Force and New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 152.9	\$ 153.1	\$ 159.2	\$ 156.3	\$ 621.5	\$ 155.6
Net investment income (loss)	77.9	69.8	72.9	76.3	296.9	69.0
Fee revenue and other income	0.2	0.2	0.3	0.2	0.9	0.2
Total revenues	231.0	223.1	232.4	232.8	919.3	224.8
<b>Benefits and expenses</b>						
Insurance policy benefits	137.7	130.3	141.6	131.8	541.4	131.8
Interest expense	0.5	0.5	0.5	0.4	1.9	0.4
Amortization	17.1	16.2	14.4	17.2	64.9	16.3
Other operating costs and expenses	41.7	40.3	42.9	45.6	170.5	45.2
Total benefits and expenses	197.0	187.3	199.4	195.0	778.7	193.7
EBIT from In-Force and New Business	\$ 34.0	\$ 35.8	\$ 33.0	\$ 37.8	\$ 140.6	\$ 31.1

CNO Financial Group, Inc.

Colonial Penn

Analysis of income (loss) before taxes (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Insurance policy income	\$ 56.9	\$ 58.0	\$ 58.1	\$ 59.1	\$ 232.1	\$ 60.5
Net investment income on general account invested assets	9.9	9.9	10.2	10.0	40.0	10.7
Fee revenue and other income	0.2	0.2	0.2	0.2	0.8	0.2
Total revenues	67.0	68.1	68.5	69.3	272.9	71.4
Insurance policy benefits	42.8	41.1	39.6	41.5	165.0	44.5
Amounts added to annuity and interest-sensitive life product account balances	0.2	0.1	0.2	0.2	0.7	0.2
Amortization related to operations	3.7	3.7	3.7	3.4	14.5	4.0
Other operating costs and expenses	25.7	22.0	29.2	28.3	105.2	28.9
Total benefits and expenses	72.4	66.9	72.7	73.4	285.4	77.6
EBIT (4)	\$ (5.4)	\$ 1.2	\$ (4.2)	\$ (4.1)	\$ (12.5)	\$ (6.2)

Average liabilities for insurance products (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
SPIAs - mortality based	\$ 74.8	\$ 74.4	\$ 73.5	\$ 71.3	\$ 73.5	\$ 69.4
Health:						
Medicare supplement	9.6	9.3	9.1	8.9	9.2	8.6
Other health	4.8	4.8	4.7	4.6	4.7	4.5
Life:						
Interest sensitive	17.7	17.7	17.4	17.1	17.5	17.1
Non-interest sensitive	618.1	629.9	631.7	637.8	629.4	644.5
Total average liabilities for insurance products, net of reinsurance ceded	\$ 725.0	\$ 736.1	\$ 736.4	\$ 739.7	\$ 734.3	\$ 744.1

Present value of future profits (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 63.6	\$ 61.6	\$ 59.6	\$ 57.7	\$ 63.6	\$ 55.7
Amortization related to operations	(2.0)	(2.0)	(1.9)	(2.0)	(7.9)	(1.9)
Balance, end of period	\$ 61.6	\$ 59.6	\$ 57.7	\$ 55.7	\$ 55.7	\$ 53.8

Deferred acquisition costs (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 57.5	\$ 59.1	\$ 60.7	\$ 61.7	\$ 57.5	\$ 67.4
Deferred acquisition expenses	3.3	3.3	2.8	3.1	12.5	3.5
Amortization related to operations	(1.7)	(1.7)	(1.8)	(1.4)	(6.6)	(2.1)
Other	—	—	—	4.0	4.0	—
Balance, end of period	\$ 59.1	\$ 60.7	\$ 61.7	\$ 67.4	\$ 67.4	\$ 68.8

Colonial Penn Segment EBIT Summarized by In-Force and New Business (6)

(in millions)

CNO Financial Group, Inc. EBIT from In-Force Business	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Revenues</b>						
Insurance policy income	\$ 45.6	\$ 46.5	\$ 46.9	\$ 48.0	\$ 187.0	\$ 49.3
Net investment income (loss)	9.9	9.9	10.2	10.0	40.0	10.7
Fee revenue and other income	0.2	0.2	0.2	0.2	0.8	0.2
Total revenues	55.7	56.6	57.3	58.2	227.8	60.2
<b>Benefits and expenses</b>						
Insurance policy benefits	36.5	34.6	33.3	35.4	139.8	38.3
Amortization	3.6	3.6	3.6	3.3	14.1	3.9
Other operating costs and expenses	6.8	6.0	7.5	7.4	27.7	7.7
Total benefits and expenses	46.9	44.2	44.4	46.1	181.6	49.9
EBIT from In-Force Business	\$ 8.8	\$ 12.4	\$ 12.9	\$ 12.1	\$ 46.2	\$ 10.3
<b>EBIT from New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 11.3	\$ 11.5	\$ 11.2	\$ 11.1	\$ 45.1	\$ 11.2
Net investment income (loss)	—	—	—	—	—	—
Fee revenue and other income	—	—	—	—	—	—
Total revenues	11.3	11.5	11.2	11.1	45.1	11.2
<b>Benefits and expenses</b>						
Insurance policy benefits	6.5	6.6	6.5	6.3	25.9	6.4
Amortization	0.1	0.1	0.1	0.1	0.4	0.1
Other operating costs and expenses	18.9	16.0	21.7	20.9	77.5	21.2
Total benefits and expenses	25.5	22.7	28.3	27.3	103.8	27.7
EBIT from New Business	\$ (14.2)	\$ (11.2)	\$ (17.1)	\$ (16.2)	\$ (58.7)	\$ (16.5)
<b>EBIT from In-Force and New Business</b>						
<b>Revenues</b>						
Insurance policy income	\$ 56.9	\$ 58.0	\$ 58.1	\$ 59.1	\$ 232.1	\$ 60.5
Net investment income (loss)	9.9	9.9	10.2	10.0	40.0	10.7
Fee revenue and other income	0.2	0.2	0.2	0.2	0.8	0.2
Total revenues	67.0	68.1	68.5	69.3	272.9	71.4
<b>Benefits and expenses</b>						
Insurance policy benefits	43.0	41.2	39.8	41.7	165.7	44.7
Amortization	3.7	3.7	3.7	3.4	14.5	4.0
Other operating costs and expenses	25.7	22.0	29.2	28.3	105.2	28.9
Total benefits and expenses	72.4	66.9	72.7	73.4	285.4	77.6
EBIT from In-Force and New Business	\$ (5.4)	\$ 1.2	\$ (4.2)	\$ (4.1)	\$ (12.5)	\$ (6.2)

There is no Other CNO Business segment beginning in 1Q14.

**CNO Financial Group, Inc.**

**Other CNO Business**

<b>Analysis of loss before taxes (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013
Insurance policy income	\$ 6.2	\$ 6.1	\$ 5.9	\$ 5.9	\$ 24.1
Net investment income on general account invested assets	8.4	8.4	8.0	8.5	33.3
<b>Total revenues</b>	<b>14.6</b>	<b>14.5</b>	<b>13.9</b>	<b>14.4</b>	<b>57.4</b>
Insurance policy benefits	15.6	15.3	13.5	14.8	59.2
Other operating costs and expenses:					
Related to long-term care block reinsured effective December 31, 2013	1.7	1.4	1.4	1.7	6.2
Overhead expense of CLIC expected to continue after the completion of the sale	4.6	5.0	4.7	5.3	19.6
<b>Total benefits and expenses</b>	<b>21.9</b>	<b>21.7</b>	<b>19.6</b>	<b>21.8</b>	<b>85.0</b>
<b>EBIT (4)</b>	<b>\$ (7.3)</b>	<b>\$ (7.2)</b>	<b>\$ (5.7)</b>	<b>\$ (7.4)</b>	<b>\$ (27.6)</b>

<b>Health underwriting margins (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013
Long-term care:					
Earned premium	\$ 6.2	\$ 6.1	\$ 5.9	\$ 5.9	\$ 24.1
Benefit ratio before interest income on reserves	252.2%	251.0%	227.5%	252.0%	245.7%
Interest-adjusted benefit ratio	140.7%	137.6%	111.6%	134.4%	131.2%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$ (2.5)	\$ (2.3)	\$ (0.7)	\$ (2.0)	\$ (7.5)

<b>Average liabilities for insurance products (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013
Average liabilities for long-term care products, net of reinsurance ceded	\$ 468.0	\$ 468.0	\$ 467.3	\$ 466.4	\$ 467.4

**CNO Financial Group, Inc.**

**Corporate Operations**

<b>Analysis of loss before taxes (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Net investment income (loss):						
General investment portfolio	\$ 1.1	\$ 1.5	\$ 1.2	\$ 1.6	\$ 5.4	\$ 1.8
Other special-purpose portfolios	9.0	3.0	9.8	12.6	34.4	5.2
Fee revenue and other income	1.7	1.5	1.7	1.3	6.2	1.4
Interest expense on investment borrowings	(0.1)	—	—	—	(0.1)	—
Other operating costs and expenses	(8.7)	(3.6)	(3.3)	(11.7)	(27.3)	(14.4)
Corporate operations, excluding corporate interest expense	3.0	2.4	9.4	3.8	18.6	(6.0)
Interest expense on corporate debt	(15.1)	(13.1)	(11.7)	(11.4)	(51.3)	(11.1)
Loss before net realized investment gains (losses), equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, loss on extinguishment of debt and income taxes	\$ (12.1)	\$ (10.7)	\$ (2.3)	\$ (7.6)	\$ (32.7)	\$ (17.1)

CNO Financial Group, Inc.

**Bankers Life**

Premiums collected on insurance products (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Annuities</b>						
Fixed index (first-year)	\$ 126.6	\$ 143.4	\$ 143.3	\$ 153.5	\$ 566.8	\$ 147.3
Other fixed rate (first-year)	37.2	38.5	45.3	49.6	170.6	41.4
Other fixed rate (renewal)	1.8	1.8	1.6	1.5	6.7	1.8
Subtotal - other fixed rate annuities	39.0	40.3	46.9	51.1	177.3	43.2
Total annuities	165.6	183.7	190.2	204.6	744.1	190.5
<b>Health</b>						
Medicare supplement (first-year)	22.7	22.7	22.3	24.4	92.1	21.2
Medicare supplement (renewal)	162.5	153.4	159.7	177.6	653.2	158.2
Subtotal - Medicare supplement	185.2	176.1	182.0	202.0	745.3	179.4
Long-term care (first-year)	5.7	5.4	5.1	5.0	21.2	4.4
Long-term care (renewal)	129.7	127.8	126.0	129.3	512.8	119.3
Subtotal - long-term care	135.4	133.2	131.1	134.3	534.0	123.7
PDP (first-year)	0.1	—	—	—	0.1	—
PDP (renewal)	10.1	10.5	(2.5)	—	18.1	6.8
Subtotal - PDP	10.2	10.5	(2.5)	—	18.2	6.8
Supplemental health (first-year)	1.6	2.0	2.3	2.4	8.3	2.1
Supplemental health (renewal)	—	0.2	0.5	0.9	1.6	1.5
Subtotal - supplemental health	1.6	2.2	2.8	3.3	9.9	3.6
Other health (first-year)	0.3	0.4	0.3	0.3	1.3	0.2
Other health (renewal)	2.4	2.2	2.2	2.3	9.1	1.8
Subtotal - other health	2.7	2.6	2.5	2.6	10.4	2.0
Total health	335.1	324.6	315.9	342.2	1,317.8	315.5
<b>Life insurance</b>						
First-year	42.4	41.0	41.7	38.2	163.3	38.2
Renewal	47.1	50.1	52.5	55.3	205.0	55.8
Total life insurance	89.5	91.1	94.2	93.5	368.3	94.0
<b>Collections on insurance products</b>						
Total first-year premium collections on insurance products	236.6	253.4	260.3	273.4	1,023.7	254.8
Total renewal premium collections on insurance products	353.6	346.0	340.0	366.9	1,406.5	345.2
Total collections on insurance products	\$ 590.2	\$ 599.4	\$ 600.3	\$ 640.3	\$ 2,430.2	\$ 600.0

CNO Financial Group, Inc.

Washington National

Premiums collected on insurance products (in millions)	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Annuities</b>						
Fixed index (first-year)	\$ 0.2	\$ 0.1	\$ 0.1	\$ —	\$ 0.4	\$ 0.1
Fixed index (renewal)	0.6	1.3	1.0	0.5	3.4	0.4
Subtotal - fixed index annuities	0.8	1.4	1.1	0.5	3.8	0.5
Other fixed rate (all renewal)	0.1	—	0.2	0.2	0.5	0.1
Total annuities	0.9	1.4	1.3	0.7	4.3	0.6
<b>Health</b>						
Medicare supplement (first-year)	0.2	—	—	0.1	0.3	—
Medicare supplement (renewal)	26.4	25.0	24.2	26.0	101.6	21.1
Subtotal - Medicare supplement	26.6	25.0	24.2	26.1	101.9	21.1
Supplemental health (first-year)	15.6	16.3	16.1	16.7	64.7	16.7
Supplemental health (renewal)	104.7	105.6	106.6	109.7	426.6	109.2
Subtotal - supplemental health	120.3	121.9	122.7	126.4	491.3	125.9
Other health (first-year)	—	—	0.1	0.1	0.2	—
Other health (renewal)	0.8	0.8	0.5	0.8	2.9	0.6
Subtotal - other health	0.8	0.8	0.6	0.9	3.1	0.6
Total health	147.7	147.7	147.5	153.4	596.3	147.6
<b>Life insurance</b>						
First-year	1.2	1.1	1.0	1.3	4.6	1.1
Renewal	5.1	5.2	5.1	6.5	21.9	5.4
Total life insurance	6.3	6.3	6.1	7.8	26.5	6.5
<b>Collections on insurance products</b>						
Total first-year premium collections on insurance products	17.2	17.5	17.3	18.2	70.2	17.9
Total renewal premium collections on insurance products	137.7	137.9	137.6	143.7	556.9	136.8
Total collections on insurance products	\$ 154.9	\$ 155.4	\$ 154.9	\$ 161.9	\$ 627.1	\$ 154.7

CNO Financial Group, Inc.

Colonial Penn

Premiums collected on insurance products (in millions)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Life insurance</b>						
First-year	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.0	\$ 45.2	\$ 11.3
Renewal	44.7	45.0	46.2	46.5	182.4	48.8
Total life insurance	56.1	56.4	57.6	57.5	227.6	60.1
<b>Health (all renewal)</b>						
Medicare supplement	1.0	0.9	0.9	0.9	3.7	0.8
Other health	0.1	0.1	0.1	0.1	0.4	0.1
Total health	1.1	1.0	1.0	1.0	4.1	0.9
<b>Collections on insurance products</b>						
Total first-year premium collections on insurance products	11.4	11.4	11.4	11.0	45.2	11.3
Total renewal premium collections on insurance products	45.8	46.0	47.2	47.5	186.5	49.7
Total collections on insurance products	\$ 57.2	\$ 57.4	\$ 58.6	\$ 58.5	\$ 231.7	\$ 61.0

CNO Financial Group, Inc.

New Annualized Premiums ("NAP") (in millions)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Bankers Life</b>						
Medicare supplement	\$ 19.1	\$ 19.0	\$ 18.7	\$ 31.5	\$ 88.3	\$ 19.0
Long-term care	6.1	6.5	6.2	5.7	24.5	4.6
Supplemental health	2.8	2.7	2.6	2.2	10.3	2.2
Life	22.5	24.2	23.5	22.4	92.6	26.0
Annuity	10.0	10.8	11.5	12.1	44.4	11.3
Subtotal Bankers Life	60.5	63.2	62.5	73.9	260.1	63.1
<b>Washington National</b>						
Supplemental health	19.2	21.3	22.5	24.8	87.8	21.3
Life	1.4	1.9	1.3	1.4	6.0	0.7
Annuity	—	0.1	0.1	—	0.2	—
Subtotal Washington National	20.6	23.3	23.9	26.2	94.0	22.0
<b>Colonial Penn</b>						
Graded Life	17.0	15.8	15.4	14.0	62.2	16.8
<b>Total NAP</b>	\$ 98.1	\$ 102.3	\$ 101.8	\$ 114.1	\$ 416.3	\$ 101.9

<b>CNO Financial Group, Inc.</b>						
<b>Statutory information - consolidated basis (7) (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14*
Net gain from operations before interest expense and federal income taxes	\$ 123.4	\$ 115.4	\$ 109.4	\$ 80.4	\$ 428.6	\$ 104.3
Interest expense on surplus debentures held by parent company	12.0	12.2	27.2	12.3	63.7	12.0
Net gain from operations before federal income taxes	111.4	103.2	82.2	68.1	364.9	92.3
Federal income tax expense (benefit)	(1.1)	1.1	0.8	(3.4)	(2.6)	0.1
Net gain from operations before net realized capital gains (losses)	112.5	102.1	81.4	71.5	367.5	92.2
Net realized capital gains (losses)	9.7	4.1	5.3	(0.1)	19.0	(8.9)
Net income	\$ 122.2	\$ 106.2	\$ 86.7	\$ 71.4	\$ 386.5	\$ 83.3
Capital and surplus	\$ 1,579.8	\$ 1,626.8	\$ 1,660.6	\$ 1,711.9	\$ 1,711.9	\$ 1,769.8
Asset valuation reserve (AVR)	234.3	238.1	240.9	233.9	233.9	227.8
Capital, surplus and AVR	1,814.1	1,864.9	1,901.5	1,945.8	1,945.8	1,997.6
Interest maintenance reserve (IMR)	587.2	586.1	579.8	582.5	582.5	593.1
Total statutory capital, surplus, AVR & IMR	\$ 2,401.3	\$ 2,451.0	\$ 2,481.3	\$ 2,528.3	\$ 2,528.3	\$ 2,590.7

(\*) Such amounts are preliminary as the statutory basis financial statements of our insurance subsidiaries for 1Q14 will be filed with the respective insurance regulators on or about May 15, 2014.

The statutory information above includes CLIC.

CNO Financial Group, Inc.

Operations of CLIC being sold

Analysis of income (loss) before taxes (in millions)

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Insurance policy income	\$ 57.2	\$ 55.0	\$ 55.5	\$ 50.6	\$ 218.3	\$ 53.5
Net investment income (loss):						
General account invested assets	53.2	52.9	52.0	52.1	210.2	51.0
Fixed index products	2.2	0.8	1.3	3.6	7.9	(0.1)
Fee revenue and other income	—	—	—	5.1	5.1	—
Total revenues	112.6	108.7	108.8	111.4	441.5	104.4
Insurance policy benefits (a)	64.6	57.3	60.7	57.0	239.6	61.7
Amounts added to policyholder account balances:						
Cost of interest credited to policyholders	23.3	22.7	22.5	21.7	90.2	21.6
Cost of options to fund index credits, net of forfeitures	0.4	0.3	0.4	0.3	1.4	0.4
Market value changes credited to policyholders	2.1	1.0	1.3	3.5	7.9	(0.1)
Amortization related to operations	2.2	2.7	2.0	1.9	8.8	2.0
Interest expense on investment borrowings	4.8	4.8	4.8	4.9	19.3	4.6
Other operating costs and expenses	8.9	14.1	10.2	7.8	41.0	5.9
Total benefits and expenses	106.3	102.9	101.9	97.1	408.2	96.1
Income (loss) before net realized investment gains and income taxes	6.3	5.8	6.9	14.3	33.3	8.3
Net realized investment gains (losses)	2.1	1.6	1.6	0.7	6.0	2.1
Amortization related to net realized investment gains (losses)	—	—	—	—	—	—
Net realized investment gains (losses), net of related amortization	2.1	1.6	1.6	0.7	6.0	2.1
Income (loss) before income taxes	8.4	7.4	8.5	15.0	39.3	10.4
Income tax expense (benefit) on period income	2.9	2.6	3.0	5.3	13.8	3.7
Net income (loss)	\$ 5.5	\$ 4.8	\$ 5.5	\$ 9.7	\$ 25.5	\$ 6.7

**CNO Financial Group, Inc.**

**Operations of CLIC being sold**

<b>Average liabilities for insurance products (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Fixed index annuities	\$ —	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.6	\$ 0.8
Deferred annuities	151.9	148.9	147.3	145.3	148.4	143.9
<b>SPIAs and supplemental contracts:</b>						
Mortality based	40.3	39.4	38.8	38.2	39.2	37.7
Deposit based	111.4	109.6	105.1	100.6	106.7	96.7
<b>Health:</b>						
Supplemental health	153.6	149.0	145.0	140.4	146.9	136.3
Medicare supplement	2.5	2.2	2.1	2.0	2.2	1.9
Other health	6.8	6.7	6.7	6.7	6.7	6.8
<b>Life:</b>						
Interest sensitive	2,354.0	2,333.9	2,305.8	2,277.4	2,317.8	2,253.8
Non-interest sensitive	439.9	432.0	429.2	426.4	432.1	421.2
<b>Total average liabilities for insurance products, net of reinsurance ceded</b>	<b>\$ 3,260.4</b>	<b>\$ 3,223.5</b>	<b>\$ 3,180.8</b>	<b>\$ 3,137.8</b>	<b>\$ 3,200.6</b>	<b>\$ 3,099.1</b>

<b>Present value of future profits (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 17.7	\$ 17.4	\$ 16.6	\$ 16.5	\$ 17.7	\$ 16.1
Amortization related to operations	(0.7)	(0.8)	(0.2)	(0.6)	(2.3)	(0.3)
Amortization related to net realized investment (gains) losses	—	—	—	—	—	—
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	0.4	—	0.1	0.2	0.7	—
Balance, end of period	\$ 17.4	\$ 16.6	\$ 16.5	\$ 16.1	\$ 16.1	\$ 15.8

<b>Deferred acquisition costs (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Balance, beginning of period	\$ 44.2	\$ 43.0	\$ 42.7	\$ 41.8	\$ 44.2	\$ 40.7
Deferred acquisition expenses	0.3	0.6	0.7	0.2	1.8	0.4
Amortization related to operations	(1.5)	(1.9)	(1.8)	(1.3)	(6.5)	(1.7)
Amortization related to net realized investment (gains) losses	—	—	—	—	—	—
Adjustment related to unrealized (gain) or loss on fixed maturities, available for sale	—	1.0	0.2	—	1.2	(0.4)
Balance, end of period	\$ 43.0	\$ 42.7	\$ 41.8	\$ 40.7	\$ 40.7	\$ 39.0

<b>Premiums collected on insurance products (in millions)</b>	1Q13	2Q13	3Q13	4Q13	2013	1Q14
<b>Annuities</b>						
Other fixed rate (all renewal)	\$ 0.1	\$ 0.1	\$ 0.1	\$ —	\$ 0.3	\$ —
<b>Life insurance</b>						
First-year	—	0.2	0.1	—	0.3	—
Renewal	38.4	36.4	35.0	31.9	141.7	36.2
Total life insurance	38.4	36.6	35.1	31.9	142.0	36.2
<b>Collections on insurance products</b>						
Total first-year premium collections on insurance products	—	0.2	0.1	—	0.3	—
Total renewal premium collections on insurance products	38.5	36.5	35.1	31.9	142.0	36.2
Total collections on insurance products	\$ 38.5	\$ 36.7	\$ 35.2	\$ 31.9	\$ 142.3	\$ 36.2

## Notes

- (1) Excludes accumulated other comprehensive income.
- (2) Shareholders' equity divided by common shares outstanding.
- (3) Book value per diluted share reflects the potential dilution that could occur if outstanding stock options and warrants were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, warrants, restricted shares and performance units is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options and warrants (or the unrecognized compensation expense with respect to restricted stock and performance units) will be used to purchase shares of our common stock at the closing market price on the last day of the period. The dilution from convertible securities is calculated assuming the securities were converted on the last day of the period.
- (4) Management believes that an analysis of earnings before the operations of CLIC being sold, loss related to reinsurance transaction, net realized investment gains (losses), fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, corporate interest expense, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, 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 these items are unrelated to the company's underlying fundamentals.
- (5) Management believes that an analysis of Net income applicable to common stock before: (i) the loss on the operations of CLIC being sold, including impact of taxes; (ii) the earnings of CLIC being sold, net of taxes; (iii) loss related to reinsurance transaction, net of taxes; (iv) net realized investment gains or losses, net of related amortization and taxes; (v) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, net of related amortization and taxes; (vi) equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, net of taxes; (vii) loss on extinguishment of debt, net of taxes; and (viii) changes in the valuation allowance for 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 the items excluded from net operating income can be affected by events that are unrelated to the company's underlying fundamentals.
- (6) Management believes that an analysis of EBIT, separated between in-force and new business provides increased clarity around the value drivers of our business, particularly since the new business results are significantly impacted by the rate of sales, mix of business and the distribution channel through which new sales are made. EBIT from new business includes pre-tax revenues and expenses associated with new sales of our insurance products during the first year after the sale is completed. EBIT from in-force business includes all pre-tax revenues and expenses associated with sales of insurance products that were completed more than one year before the end of the reporting period. The allocation of certain revenues and expenses between new and in-force business is based on estimates, which we believe are reasonable.
- (7) Based on statutory accounting practices prescribed or permitted by regulatory authorities for CNO Financial's insurance subsidiaries after appropriate elimination of intercompany accounts among such subsidiaries. Such accounting practices differ from GAAP.



# 1Q14

Financial and operating results for the period ended March 31, 2014

April 28, 2014



Unless otherwise specified, comparisons in this presentation are between 1Q14 and 1Q13.

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## Forward-Looking Statements

Certain statements made in this presentation should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about future results of operations and capital plans. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those included in our press release issued on April 28, 2014, our Quarterly Reports on Form 10-Q, our Annual Report on Form 10-K and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this presentation, which speaks as of today's date.

## Non-GAAP Measures

This presentation contains the following financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP): operating earnings measures; book value, excluding accumulated other comprehensive income (loss) per share; operating return measures; earnings before the loss on the operations of CLIC being sold, the earnings of CLIC being sold, loss on reinsurance transaction, net realized investment gains (losses), fair value changes in embedded derivative liabilities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, corporate interest expense, loss on extinguishment of debt and taxes; and debt to capital ratios, excluding accumulated other comprehensive income (loss). Reconciliations between those non-GAAP measures and the comparable GAAP measures are included in the Appendix, or on the page such measure is presented.

While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered substitutes for the most directly comparable GAAP measures.

Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the “Investors – SEC Filings” section of CNO’s website, [www.CNOinc.com](http://www.CNOinc.com).



# CNO FINANCIAL GROUP

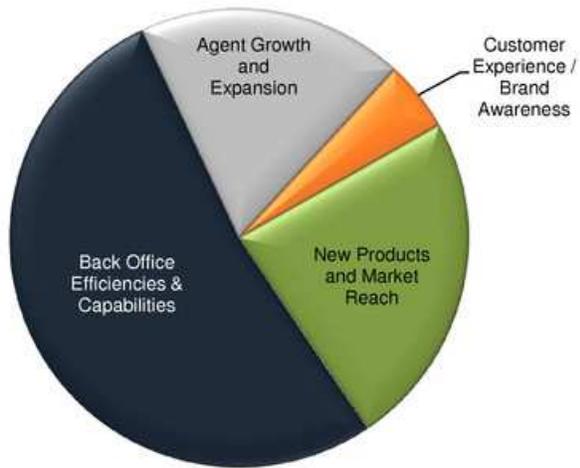
- Continued sustainable, profitable growth
- Maintained strong financial position
- Returned capital to shareholders
- CLIC transaction on track for mid-year close
- Moody's upgraded debt ratings, maintained positive outlook

# Investments Driving Growth

CNO

*Plan to Invest \$45 - \$55 million in Key Initiatives in 2014 to Continue Driving Above Industry Growth Rates*

## Investment Breakdown



## Growth in Business

(\$ millions)	1Q14	1Q13
LTM NAP	\$420	\$395
LTM Collected Premium*	\$2,403	\$2,351
Bankers Life Annuities Average Liabilities	\$7,446	\$7,285

## Key Initiatives

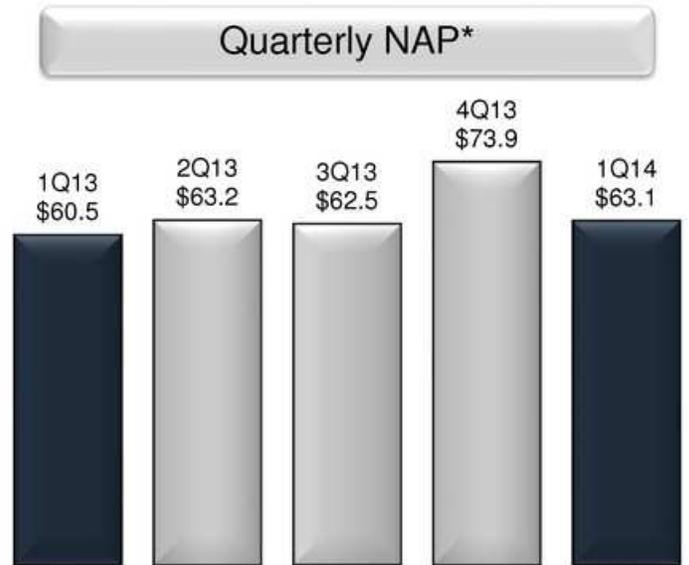
- Agent productivity
- Branch and geographic expansion
- New product development
- Worksite platform
- Operating efficiencies
- Customer Experience

# 1Q14 Sales and Distribution Results

(\$ millions)

## Bankers Life

- Sales up 4%
  - Driven by life and annuity
  - Partially offset by LTC
- Strong agent productivity, up 7%
  - Improved agent retention
- Collected premiums up 2%



Trailing 4-Quarters NAP	\$246.9	\$250.6	\$255.5	\$260.1	\$262.7
Collected Premiums	\$590.2	\$599.4	\$600.3	\$640.3	\$600.0
Med Advantage Policies Issued	771	2,312	1,729	16,814	1,075
Trailing 4-Quarters Med Advantage Fee Income, Net	\$7.5	\$8.2	\$8.9	\$9.1	\$9.8

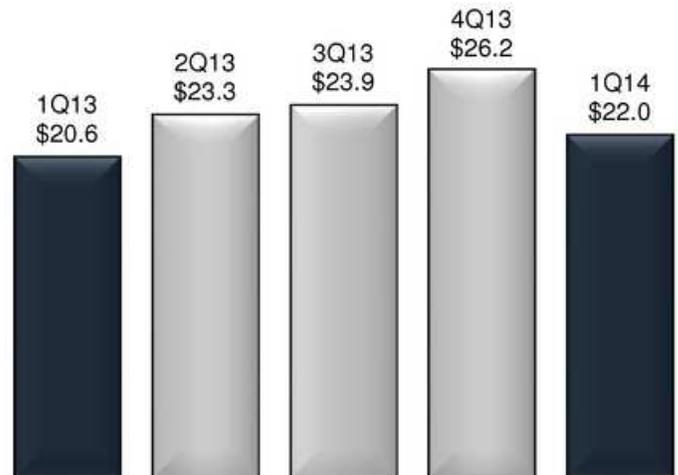
# 1Q14 Sales and Distribution Results

(\$ millions)

## Washington National

### Quarterly NAP

- Sales up 7%
  - PMA up 8%
  - Worksite up 5%
- Growth in PMA agent force
  - Strong recruiting
  - Producing agents\* up 10%
- Supplemental health collected premiums up 5%



Trailing 4-Quarters NAP	\$87.1	\$88.1	\$90.6	\$94.0	\$95.4
Supplemental Health Collected Premiums	\$120.3	\$121.9	\$122.7	\$126.4	\$125.9

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

# 1Q14 Sales and Distribution Results

(\$ millions)

Colonial Penn

- Sales down 1%
  - Challenges in 4Q13 impacted January
- Significant improvement in February and March
  - Combined, sales up 9%
- Strong in-force growth
  - Collected premiums up 7%
  - In-force EBIT up 17%



Trailing 4-Quarters NAP	\$61.3	\$61.5	\$61.8	\$62.2	\$62.0
Collected Premiums	\$57.2	\$57.4	\$58.6	\$58.5	\$61.0

# Business Investments Delivering Results

***Investments expected to yield sales growth of 6% - 8% in 2014***



- Sales force automation and new CRM tools
- Advanced life sales training
- Revised branding and digital marketing
- Grow Financial Advisor program



- Worksite distribution expansion
- New product introductions
- Grow owned agency distribution
- Individual distribution geographic expansion



- Patriot program growth
- Lead generation diversification
- Web/digital strategy
- Telesales productivity improvements

## ▪ Earnings

- In aggregate, core earnings drivers continued to perform within expected ranges
- Strength in Medicare supplement, life mortality and annuity margins
- Normalized LTC and supplemental health benefit ratios slightly elevated
- OCB segment revisions and estimated loss on sale reflected in 1Q earnings

## ▪ Capital & Liquidity

- RBC of 427% and holding company leverage at 17.6%
- Generated capital of over \$100mm in the quarter, ~\$60mm up to the holding company
- Holding company liquidity and investments \$306mm
- Deployable capital of ~\$160mm exclusive of anticipated CLIC proceeds

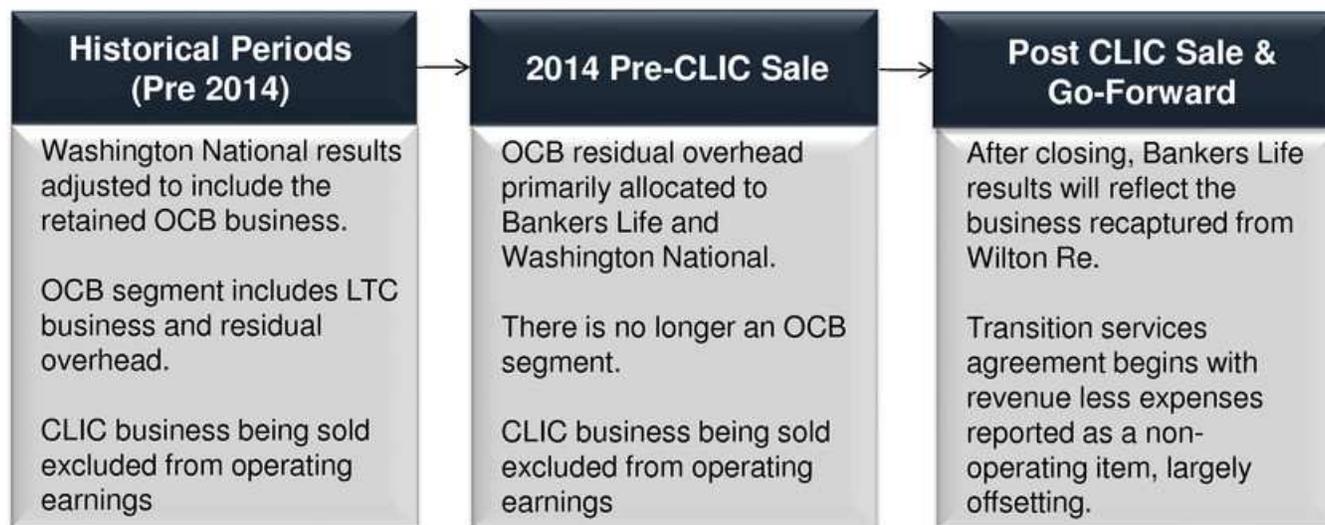
## ▪ Capital Deployment

- Deployed ~\$60mm in the quarter - Repurchased \$41mm of securities, paid \$13mm in common stock dividends and paid down \$13mm of debt

# Revised Q1 Financial Reporting

## CLIC Transaction Update

CNO



- Estimated loss on sale of \$298mm recorded in 1Q and consistent with previous guidance
- At closing anticipate proceeds in the \$220 - \$230mm\* range and recapture of Bankers Life traditional life business for \$28mm
- CLIC earnings being sold in line with pro forma \$0.04/share dilution when normalized and incorporating life recapture and 3% assumed reinvestment rate on proceeds

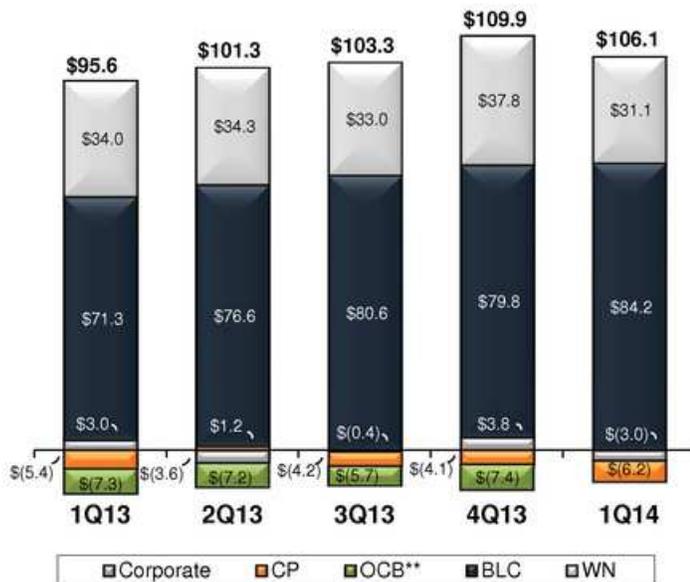
\* Purchase price is subject to certain adjustments reflecting the performance of the business from December 31, 2013 through closing.

# Segment Earnings

(\$ millions)

CNO

## Segment EBIT Excluding Significant Items\*



## Weighted Average Diluted Shares Outstanding



(a) Equivalent common shares of 5.8mm were not included in the diluted weighted average shares outstanding due to the net loss recognized in 1Q14.

## 1Q14 Notable Items

- 1Q14 results reflect allocation of residual OCB overhead of ~\$5mm primarily to Bankers Life and Washington National
- Favorable Med supp, life and annuity margins in Bankers with elevated LTC benefit ratios
- Colonial Penn results reflect seasonal elevated ad spend
- Corporate and Washington National in line with expectations

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

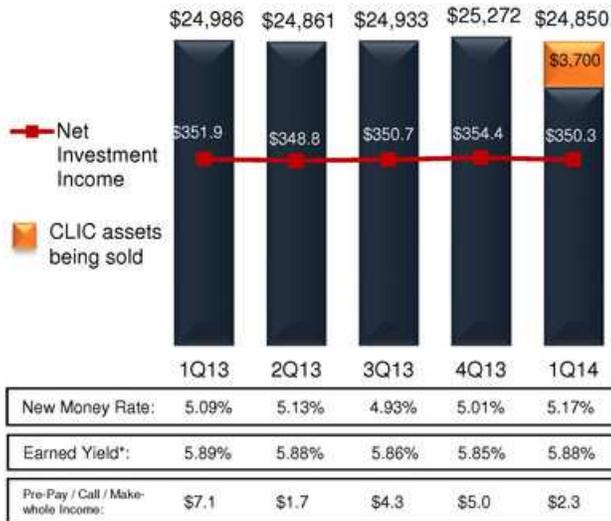
\*\* OCB in prior quarters reflects losses from LTC reinsured and residual overhead expense allocated to Washington National and Bankers Life beginning 1Q14. No longer reporting on OCB beginning 1Q14.

# Investment Results

CNO

Unadjusted for CLIC Operations Being Sold (\$ millions)

## Average Invested Assets and Cash



## Realized Gains, Losses and Impairments



- 1Q14 new money rate reflects tactical allocation strategy, offset by lower rates as well as tightening spreads in most sectors
- 1Q14 asset balances reflect LTC reinsurance transaction

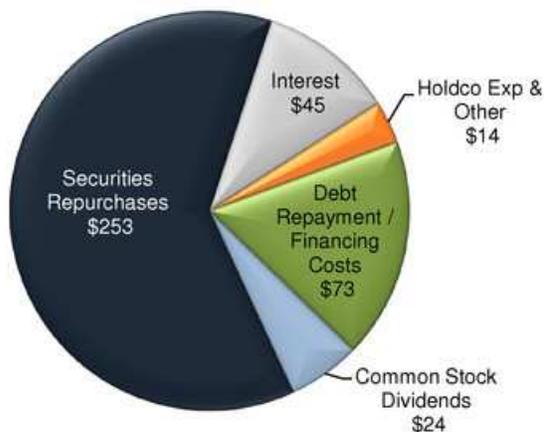
- 1Q14 Net realized gains and losses primarily impacted by OCB LTC transaction. Excluding the impact of this transaction, activity remained stable, reflecting emphasis on limiting portfolio turnover.
- Impairments concentrated in legacy investments in private companies

# Capital Targets & Excess Capital Deployment CNO

Investment-grade ratings dialed-in while maintaining our tactical approach to deployment...

	2013	1Q14	2014 Outlook
RBC	410%	427%	~ 400%
Liquidity	\$309mm	\$306mm	~ \$430mm
Leverage*	16.9%	17.6%	~16%

## 2013 Capital Deployment \$409mm



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

### Key Capital Ratios

- RBC strength on retained statutory earnings
- Leverage increase reflects CLIC loss on sale estimate
- Current credit agreement requires a portion of CLIC sale proceeds be used for debt retirement

### Q1 Capital Deployment

- \$41mm of stock repurchases, expect to be at the high end of the \$225 to \$300mm range
- 100% increase to quarterly dividend, paid \$13mm in 1Q

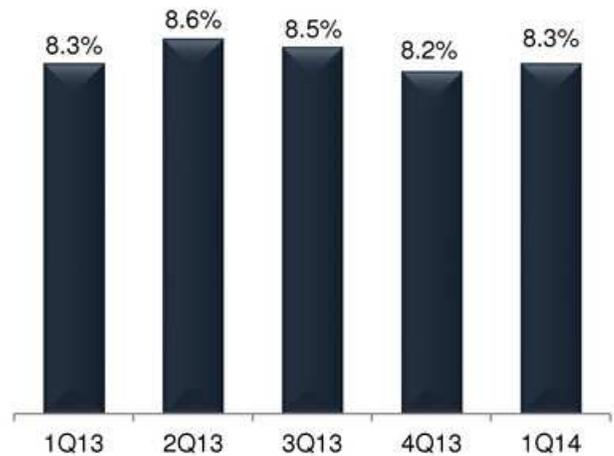
# ROE Development

CNO

## Notable Items

- Trailing 4 quarter basis dampens the impact of recent OCB transactions
- When excluding OCB transactions, average equity is up nearly \$170mm year-over-year
- The sale of CLIC, life recapture and conservative reinvestment returns on proceeds yields run-rate ROE improvement of 45-50 basis points
- Management remains focused on both growth and quality of ROE

## Normalized Operating ROE\*



Operating ROE*	1Q13	2Q13	3Q13	4Q13	1Q14
Operating ROE*	6.3%	6.8%	8.4%	8.7%	9.0%

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

# CNO Moving Forward



**CNO FINANCIAL GROUP**



**BANKERS LIFE**



**COLONIAL PENN.**



**Washington National**

- **Focused on Sustainable, Profitable Growth**
  - Investments in distribution productivity and growth yielding top-tier industry growth rates
- **Improving Operational Efficiencies and Effectiveness**
  - Investments in back-office to streamline operations and effectively support growth
- **Financial Strength**
  - Focus on core business and reshaping in-force driving a higher quality ROE
- **Tactical Deployment of Excess Capital**
  - Balanced capital deployment producing investment grade financial ratios while returning capital to shareholders

***CNO to Host Investor Day in NYC on June 26, 2014***



# Questions and Answers



# Appendix

# 1Q14 Holding Company Liquidity

(\$ millions)

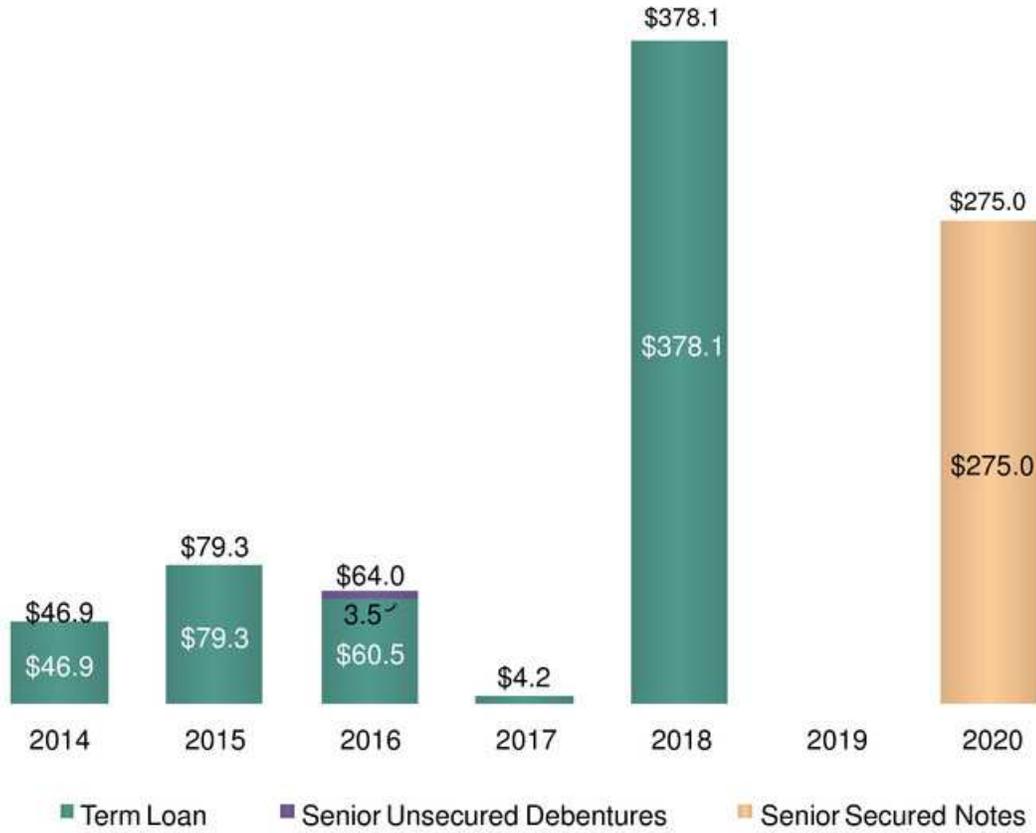
CNO

	<u>1Q14</u>
<b>Cash and Investments Balance - Beginning</b>	\$309.0
<b>Sources</b>	
Net Dividends from Insurance Subsidiaries	40.0
Dividends from Non-insurance Subsidiaries	5.0
Interest/Earnings on Corporate Investments	4.7
Surplus Debenture Interest	12.0
Service and Investment Fees, Net	6.9
Total Sources	<u>68.6</u>
<b>Uses</b>	
Interest	5.2
Share Repurchases	33.0
Debt Payments	12.5
Common Stock Dividend	13.3
Holding Company Expenses and Other	10.8
Total Uses	<u>74.8</u>
<b>Non-cash changes in investment balances</b>	3.3
<b>Unrestricted Cash and Investments Balance - 03/31/2014</b>	<u>\$306.1</u>

# Debt Maturity Profile

(\$ millions)

CNO



# Holding Company Investments at 3/31/14

CNO

(\$ millions)

## Investment Performance

	1Q14
Cash & Money Market	0.08%
Fixed Income	1.75%
Equities	1.72%
Alternatives	0.24%

## Investment Allocation



Portfolio strategy prioritizes consistent returns that utilize non-life tax benefits

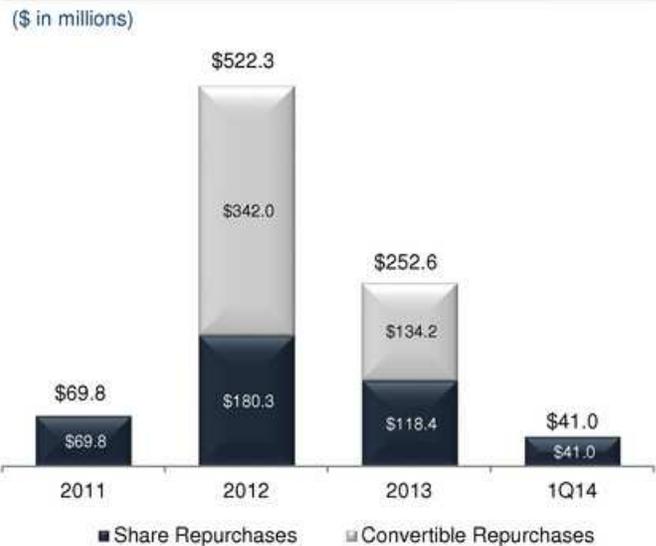
# Returning Capital to our Shareholders

CNO

## Highlights

- Since initiating the share buyback program, repurchased equivalent of 92 million shares, leading to a 30%\* reduction in weighted average diluted shares outstanding
- Cumulative investment of \$886mm in stock and convertible repurchases for an effective average price of \$9.61 per share
- Paid \$52mm in dividends since initiating dividend program

## Total Securities Repurchases by Quarter



Common Stock Dividends	\$ -	\$13.9	\$24.3	\$13.3
WA Diluted Shares Outstanding	307.5mm			226.1mm

# OCB Solutions For \$4bn in Run-Off Reserves

## OCB – Ceded & Being Sold

- \$550mm of statutory LTC reserves reinsured to Beechwood Re - reported in 4Q 2013 results
- Sale of CLIC to Wilton Re encompassing \$3.4bn of interest-sensitive, traditional life and annuity reserves

## Business Retained by CNO

- Approximately \$788mm of annuities and deposits, \$166mm of interest-sensitive life reserves and a small amount of A&H business
- Upon closing, CNO will no longer report on OCB as a segment and will embed the remaining business into other reporting segments

## 12/31/13 OCB Net Statutory Reserves

(\$ millions)

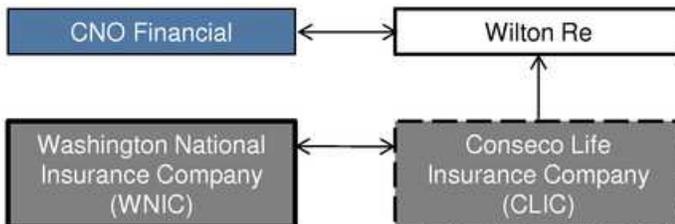


\* Excludes approximately \$25mm of LTC reserves previously reinsured and transferred under the reinsurance agreement

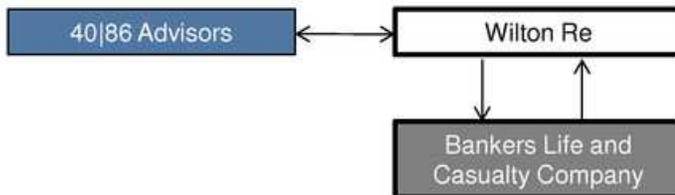
\*\* Includes \$450mm of FHLB liabilities

# Sale of CLIC Subsidiary – Transaction Detail

## Sale & Transition Services Agreement



## Bankers Life Recapture & 40|86 Advisory Agreement



## Sale & Transition

- Intercompany transactions to move A&H business out of CLIC to WNIC, increasing CLIC capital by \$36mm
- Wilton Re purchases CLIC legal entity and pays CNO approximately \$240mm\* for value of in-force and capital & surplus
- Wilton Re and CNO enter into a transition services agreement

## Recapture & Advisory Agreement

- Bankers Life recaptures traditional life block previously reinsured to Wilton Re for \$28mm
- 40|86 enters into an investment advisory agreement with Wilton Re on certain invested assets

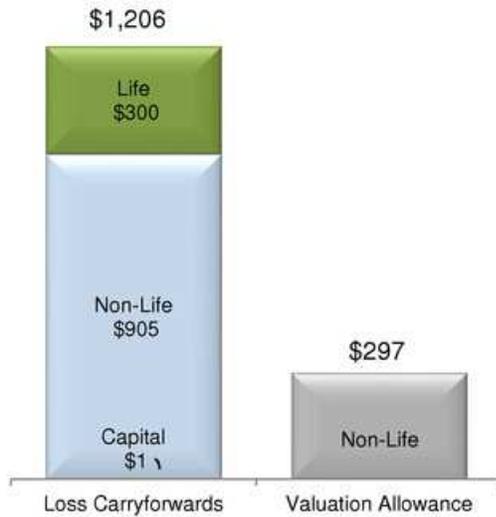
\* Assumed purchase price based on capital and surplus of CLIC as of 12-31-2013 and adjusted for \$36 million intercompany ceding commission paid to CLIC prior to closing. The proceeds will be further adjusted to reflect CLIC's actual statutory capital and surplus at the time of closing.

# Leveraging Considerable Tax Assets

CNO

(\$ millions)

## 1Q 2014 Loss Carryforwards



## 2014 Outlook and Value

- Expect modest future valuation allowance releases as taxable income stabilizes
- Annual cash flows are expected to be reduced by \$50 million in 2016 as life NOL's are fully utilized
- Estimated economic value of ~\$600 million @ 10% discount rate

# 1Q13 Significant Items

CNO

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

	Three months ended March 31, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 62.1	\$ 9.2 (1)	\$ 71.3
Washington National	34.0	-	34.0
Colonial Penn	(5.4)	-	(5.4)
Other CNO Business	(7.3)	-	(7.3)
EBIT from business segments continuing after the CLIC sale	83.4	9.2	92.6
Corporate Operations, excluding corporate interest expense	3.0	-	3.0
EBIT from operations continuing after the CLIC sale	86.4	9.2	95.6
Corporate interest expense	(15.1)	-	(15.1)
Operating earnings before tax	71.3	9.2	80.5
Tax expense on operating income	25.7	3.2	28.9
Net operating income *	\$ 45.6	\$ 6.0	\$ 51.6
Net operating income per diluted share*	\$ 0.2	\$ 0.03	\$ 0.22

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

\* A non-GAAP measure. See pages 32 and 34 for a reconciliation to the corresponding GAAP measure.

## 2Q13 Significant Items

CNO

The table below summarizes the financial impact of the significant items on our 2Q2013 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended		
	June 30, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 79.1	\$ (2.5) (1)	\$ 76.6
Washington National	35.8	(1.5) (2)	34.3
Colonial Penn	1.2	-	1.2
Other CNO Business	(7.2)	-	(7.2)
EBIT from business segments continuing after the CLIC sale	108.9	(4.0)	104.9
Corporate Operations, excluding corporate interest expense	2.4	(6.0) (3)	(3.6)
EBIT from operations continuing after the CLIC sale	111.3	(10.0)	101.3
Corporate interest expense	(13.1)	-	(13.1)
Operating earnings before tax	98.2	(10.0)	88.2
Tax expense on operating income	34.3	(3.5)	30.8
Net operating income *	\$ 63.9	\$ (6.5)	\$ 57.4

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

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

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

\* A non-GAAP measure. See page 32 for a reconciliation to the corresponding GAAP measure.

# 3Q13 Significant Items

CNO

The table below summarizes the financial impact of significant items on our 3Q2013 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended September 30, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 86.3	\$ (5.7) (1)	\$ 80.6
Washington National	33.0	-	33.0
Colonial Penn	(4.2)	-	(4.2)
Other CNO Business	(5.7)	-	(5.7)
EBIT from business segments continuing after the CLIC sale	109.4	(5.7)	103.7
Corporate Operations, excluding corporate interest expense	9.4	(9.8) (2)	(0.4)
EBIT from operations continuing after the CLIC sale	118.8	(15.5)	103.3
Corporate interest expense	(11.7)	-	(11.7)
Operating earnings before tax	107.1	(15.5)	91.6
Tax expense on operating income	34.4	(5.6)	28.8
Net operating income *	\$ 72.7	\$ (9.9)	\$ 62.8

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

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

\* A non-GAAP measure. See page 32 for a reconciliation to the corresponding GAAP measure.

# 4Q13 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 4Q2013 net operating income. Management believes that identifying the impact of this items enhances the understanding of our operating results (dollars in millions).

	Three months ended December 31, 2013		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 83.0	\$ (3.2) (1)	\$ 79.8
Washington National	37.8	-	37.8
Colonial Penn	(4.1)	-	(4.1)
Other CNO Business	(7.4)	-	(7.4)
EBIT from business segments continuing after the CLIC sale	109.3	(3.2)	106.1
Corporate Operations, excluding corporate interest expense	3.8	-	3.8
EBIT from operations continuing after the CLIC sale	113.1	(3.2)	109.9
Corporate interest expense	(11.4)	-	(11.4)
Operating earnings before tax	101.7	(3.2)	98.5
Tax expense on operating income	35.5	(1.2)	34.3
Net operating income *	\$ 66.2	\$ (2.0)	\$ 64.2

(1) Pre-tax earnings in the Bankers Life segment included: (i) \$5.8 million of favorable reserve developments in the Medicare supplement block; net of (ii) \$2.6 million of net unfavorable adjustments primarily related to reserves established for remediation efforts.

\* A non-GAAP measure. See page 32 for a reconciliation to the corresponding GAAP measure.

# 1Q14 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 1Q2014 net operating income. Management believes that identifying the impact of this item enhances the understanding of our operating results (dollars in millions).

	Three months ended March 31, 2014		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 84.2	\$ -	\$ 84.2
Washington National	31.1	-	31.1
Colonial Penn	(6.2)	-	(6.2)
EBIT from business segments continuing after the CLIC sale	109.1	-	109.1
Corporate Operations, excluding corporate interest expense	(6.0)	3.0 (1)	(3.0)
EBIT from operations continuing after the CLIC sale	103.1	3.0	106.1
Corporate interest expense	(11.1)	-	(11.1)
Operating earnings before tax	92.0	3.0	95.0
Tax expense on operating income	32.1	1.1	33.2
Net operating income *	\$ 59.9	\$ 1.9	\$ 61.8
Net operating income per diluted share*	\$ 0.27	\$ 0.01	\$ 0.28

(1) Pre-tax earnings in the Corporate segment reflected higher expenses of \$3 million primarily related to accrual adjustments for incentive compensation.

\* A non-GAAP measure. See pages 32 and 34 for a reconciliation to the corresponding GAAP measure.

# Quarterly Earnings

(\$ millions)

# CNO

	1Q13	2Q13	3Q13	4Q13	1Q14
Bankers Life	\$ 62.1	\$ 79.1	\$ 86.3	\$ 83.0	\$ 84.2
Washington National	34.0	35.8	33.0	37.8	31.1
Colonial Penn	(5.4)	1.2	(4.2)	(4.1)	(6.2)
Other CNO Business	(7.3)	(7.2)	(5.7)	(7.4)	-
EBIT from business segments continuing after the CLIC sale	83.4	108.9	109.4	109.3	109.1
Corporate operations, excluding interest expense	3.0	2.4	9.4	3.8	(6.0)
EBIT* from operations continuing after the CLIC sale	86.4	111.3	118.8	113.1	103.1
Corporate interest expense	(15.1)	(13.1)	(11.7)	(11.4)	(11.1)
Operating earnings before taxes	71.3	98.2	107.1	101.7	92.0
Tax expense on period income	25.7	34.3	34.4	35.5	32.1
Net operating income	45.6	63.9	72.7	66.2	59.9
Earnings of CLIC being sold, net of taxes	5.5	4.8	5.5	9.7	6.7
Loss on operations of CLIC being sold, including impact of taxes	-	-	-	-	(298.0)
Loss on reinsurance transaction, including impact of taxes	-	-	-	(63.3)	-
Net realized investment gains (losses), net of taxes	8.0	0.8	(1.1)	9.1	13.6
Fair value changes in embedded derivative liabilities, net of taxes	1.3	12.1	2.2	7.4	(7.2)
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, net of taxes	(1.8)	(2.7)	(3.0)	(2.4)	(3.0)
Loss on extinguishment of debt, net of taxes	(57.2)	(6.8)	-	-	-
Net income (loss) before valuation allowance for deferred tax assets and other tax items	1.4	72.1	76.3	26.7	(228.0)
Valuation allowance for deferred tax assets and other tax items	10.5	5.0	206.7	79.3	-
Net income (loss)	\$ 11.9	\$ 77.1	\$ 283.0	\$ 106.0	\$ (228.0)

\*Management believes that an analysis of earnings before the loss on the operations of CLIC being sold, the earnings of CLIC being sold, loss on reinsurance transaction, net realized investment gains (losses), fair value changes in embedded derivative liabilities, equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests, corporate interest expense, loss on extinguishment of debt and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (1) the loss on the operations of CLIC being sold; (2) the earnings of CLIC being sold; (3) loss on reinsurance transaction; (4) net realized investment gains (losses); (5) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities that are unrelated to the company's underlying fundamentals; (6) equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests; (7) corporate interest expense; and (8) loss on extinguishment of debt. The table above provides a reconciliation of EBIT to net income.

## Information Related to Certain Non-GAAP Financial Measures

The following provides additional information regarding certain non-GAAP measures used in this presentation. A non-GAAP measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered as substitutes for the most directly comparable GAAP measures. Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors – SEC Filings" section of CNO's website, [www.CNOinc.com](http://www.CNOinc.com).

### Operating earnings measures

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

## Information Related to Certain Non-GAAP Financial Measures

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

	1Q13	2Q13	3Q13	4Q13	1Q14
<b>Net income applicable to common stock</b>	\$ 11.9	\$ 77.1	\$ 283.0	\$ 106.0	\$ (228.0)
Earnings of CLIC being sold (net of taxes)	(5.5)	(4.8)	(5.5)	(9.7)	(6.7)
Loss of operations of CLIC being sold (including impact of taxes)	-	-	-	-	298.0
Loss of reinsurance transaction (net of taxes)	-	-	-	63.3	-
Net realized investment (gains) losses, net of related amortization and taxes	(8.0)	(0.8)	1.1	(9.1)	(13.6)
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(1.3)	(12.1)	(2.2)	(7.4)	7.2
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests	1.8	2.7	3.0	2.4	3.0
Valuation allowance for deferred tax assets and other tax items	(10.5)	(5.0)	(206.7)	(79.3)	-
Loss on extinguishment of debt (net of taxes)	57.2	6.8	-	-	-
<b>Net operating income (a non-GAAP financial measure)</b>	<b>\$ 45.6</b>	<b>\$ 63.9</b>	<b>\$ 72.7</b>	<b>\$ 66.2</b>	<b>\$ 59.9</b>
<b>Per diluted share:</b>					
<b>Net income (loss)</b>	\$ 0.05	\$ 0.34	\$ 1.23	\$ 0.47	\$ (1.03)
Earnings of CLIC being sold (net of taxes)	(0.02)	(0.02)	(0.02)	(0.04)	(0.03)
Loss of operations of CLIC being sold (including impact of taxes)	-	-	-	-	1.35
Loss of reinsurance transaction (net of taxes)	-	-	-	0.28	-
Net realized investment (gains) losses, net of related amortization and taxes	(0.04)	(0.01)	0.01	(0.04)	(0.06)
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(0.01)	(0.05)	(0.01)	(0.04)	0.03
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests	0.01	0.01	0.01	0.01	0.01
Valuation allowance for deferred tax assets and other tax items	(0.04)	(0.02)	(0.90)	(0.35)	-
Loss on extinguishment of debt (net of taxes)	0.24	0.03	-	-	-
<b>Net operating income (a non-GAAP financial measure)</b>	<b>\$ 0.19</b>	<b>\$ 0.28</b>	<b>\$ 0.32</b>	<b>\$ 0.29</b>	<b>\$ 0.27</b>

## Information Related to Certain Non-GAAP Financial Measures

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

	1Q13	2Q13	3Q13	4Q13	1Q14 (a)
Operating income	\$ 45.6	\$ 63.9	\$ 72.7	\$ 66.2	\$ 59.9
Add: interest expense on 7.0% Convertible Senior Debentures due 2016, net of income taxes	1.2	0.4	-	-	-
Total adjusted operating income	<u>\$ 46.8</u>	<u>\$ 64.3</u>	<u>\$ 72.7</u>	<u>\$ 66.2</u>	<u>\$ 59.9</u>
Weighted average shares outstanding for basic earnings per share	222,081	220,498	222,876	221,056	220,307
Effect of dilutive securities on weighted average shares:					
7% Debentures	16,590	5,692	839	-	-
Stock options, restricted stock and performance units	2,829	2,412	2,858	3,005	-
Warrants	1,967	2,291	2,774	3,040	-
Weighted average shares outstanding for diluted earnings per share	<u>243,467</u>	<u>230,893</u>	<u>229,347</u>	<u>227,101</u>	<u>220,307</u>
Operating earnings per diluted share	<u>\$ 0.19</u>	<u>\$ 0.28</u>	<u>\$ 0.32</u>	<u>\$ 0.29</u>	<u>\$ 0.27</u>

(a) Equivalent common shares of 5,803.0 were not included in the diluted weighted average shares outstanding due to the net loss recognized in 1Q14.

## Information Related to Certain Non-GAAP Financial Measures

### Book value per diluted share

Book value per diluted share reflects the potential dilution that could occur if outstanding stock options and warrants were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, warrants, restricted shares and performance units is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options and warrants (or the unrecognized compensation expense with respect to restricted stock and performance units) will be used to purchase shares of our common stock at the closing market price on the last day of the period. The dilution from convertible securities is calculated assuming the securities were converted on the last day of the period. In addition, the calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments.

A reconciliation from book value per share to book value per diluted share, excluding accumulated other comprehensive income (loss) is as follows (dollars in millions, except per share amounts):

	1Q13	2Q13	3Q13	4Q13	1Q14
Total shareholders' equity	\$ 5,028.6	\$ 4,581.4	\$ 4,786.6	\$ 4,955.2	\$ 4,710.2
Shares outstanding for the period	223,502,106	219,378,666	222,007,214	220,323,823	219,266,947
Book value per share	\$ 22.50	\$ 20.88	\$ 21.56	\$ 22.49	\$ 21.48
Total shareholders' equity	\$ 5,028.6	\$ 4,581.4	\$ 4,786.6	\$ 4,955.2	\$ 4,710.2
Less accumulated other comprehensive income	(1,170.7)	(698.1)	(634.0)	(731.8)	(766.2)
Add carrying value of convertible debentures	32.7	28.4	-	-	-
Adjusted shareholders' equity excluding AOCI	\$ 3,890.6	\$ 3,911.7	\$ 4,152.6	\$ 4,223.4	\$ 3,944.0
Shares outstanding for the period	223,502,106	219,378,666	222,007,214	220,323,823	219,266,947
Dilutive common stock equivalents related to:					
Convertible debentures	6,197,661	5,383,774	-	-	-
Warrants, stock options, restricted stock and performance units	5,165,321	5,165,919	5,686,148	6,543,950	5,839,726
Diluted shares outstanding	234,865,088	229,928,359	227,693,362	226,867,773	225,106,673
Book value per diluted share (a non-GAAP financial measure)	\$ 16.57	\$ 17.01	\$ 18.24	\$ 18.62	\$ 17.52

## Information Related to Certain Non-GAAP Financial Measures

### Operating return measures

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

Management also believes that an operating return, excluding significant items, is important as the impact of these items enhances the understanding of our operating results.

This non-GAAP financial measure also differs from return on equity because accumulated other comprehensive income (loss) has been excluded from the value of equity used to determine this ratio. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

In addition, our equity includes the value of significant net operating loss carryforwards (included in income tax assets). In accordance with GAAP, these assets are not discounted, and accordingly will not provide a return to shareholders (until after it is realized as a reduction to taxes that would otherwise be paid). Management believes that excluding this value from the equity component of this measure enhances the understanding of the effect these non-discounted assets have on operating returns and the comparability of these measures from period-to-period. Operating return measures are used in measuring the performance of our business units and are used as a basis for incentive compensation.

## Information Related to Certain Non-GAAP Financial Measures

The calculations of: (i) operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); (ii) operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); and (iii) return on equity are as follows (dollars in millions):

	Trailing twelve months ended				
	1Q13	2Q13	3Q13	4Q13	1Q14
Operating income	\$ 189.5	\$ 203.0	\$ 254.6	\$ 270.0	\$ 280.2
Operating income, excluding significant items	\$ 250.1	\$ 259.4	\$ 256.8	\$ 254.4	\$ 260.5
Net Income	\$ 173.8	\$ 185.2	\$ 473.2	\$ 478.0	\$ 238.1
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,018.9	\$ 3,004.3	\$ 3,026.9	\$ 3,092.4	\$ 3,126.8
Average common shareholders' equity	\$ 4,966.1	\$ 4,970.3	\$ 4,896.4	\$ 4,849.7	\$ 4,798.2
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	6.3%	6.8%	8.4%	8.7%	9.0%
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	8.3%	8.6%	8.5%	8.2%	8.3%
Return on equity	3.5%	3.7%	9.7%	9.9%	5.0%

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## Information Related to Certain Non-GAAP Financial Measures

The following summarizes: (i) operating earnings; (ii) significant items; (iii) operating earnings, excluding significant items; and (iv) net income (dollars in millions):

	<u>Operating earnings</u>	<u>Significant items (a)</u>	<u>Operating earnings, excluding significant items</u>	<u>Operating earnings, excluding significant items - trailing four quarters</u>	<u>Net income</u>	<u>Net income - trailing four quarters</u>
4Q11	\$ 51.0	\$ (2.5)	\$ 48.5	\$ -	\$ 64.0	\$ -
1Q12	40.6	10.4	51.0	-	59.1	-
2Q12	54.2	(2.3)	51.9	-	65.7	-
3Q12	25.6	44.3	69.9	221.3	(5.0)	184.2
4Q12	60.0	12.6	72.6	245.4	101.2	221.0
1Q13	49.7	6.0	55.7	250.1	11.9	173.8
2Q13	67.7	(6.5)	61.2	259.4	77.1	185.2
3Q13	77.2	(9.9)	67.3	256.8	283.0	473.2
4Q13	75.4	(5.2)	70.2	254.4	106.0	478.0
1Q14	59.9	1.9	61.8	260.5	(228.0)	238.1

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

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## Information Related to Certain Non-GAAP Financial Measures

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

	Twelve months ended				
	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>1Q14</u>
Pretax operating earnings (a non-GAAP financial measure)	\$ 297.9	\$ 315.1	\$ 393.8	\$ 411.6	\$ 426.0
Income tax (expense) benefit	<u>(108.4)</u>	<u>(112.1)</u>	<u>(139.2)</u>	<u>(141.5)</u>	<u>(145.8)</u>
Operating return	189.5	203.0	254.6	270.0	280.2
Earnings of CLIC being sold, net of taxes	-	-	-	-	6.7
Loss on operations of CLIC being sold, including impact of taxes	-	-	-	-	(298.0)
Loss on reinsurance transaction (net of taxes)	-	-	-	(63.3)	(63.3)
Net realized investment gains, net of related amortization and taxes	43.7	26.8	21.9	20.7	24.9
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(5.0)	14.0	18.2	23.0	14.5
Equity in earnings of certain non-strategic investments and earnings attributable to non-controlling interests (net of taxes)	(1.8)	(4.5)	(7.5)	(9.9)	(11.1)
Loss on extinguishment of debt (net of taxes)	(234.6)	(241.1)	(64.7)	(64.0)	(6.8)
Valuation allowance for deferred tax assets and other tax items	<u>182.0</u>	<u>187.0</u>	<u>250.7</u>	<u>301.5</u>	<u>291.0</u>
Net income	<u>\$ 173.8</u>	<u>\$ 185.2</u>	<u>\$ 473.2</u>	<u>\$ 478.0</u>	<u>\$ 238.1</u>

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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):

	<u>1Q12</u>	<u>2Q12</u>	<u>3Q12</u>	<u>4Q12</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,057.1	\$ 3,129.9	\$ 2,938.8	\$ 2,976.9
Net operating loss carryforwards	817.9	772.4	893.0	875.0
Accumulated other comprehensive income	<u>808.0</u>	<u>990.8</u>	<u>1,234.4</u>	<u>1,197.4</u>
Common shareholders' equity	<u>\$ 4,683.0</u>	<u>\$ 4,893.1</u>	<u>\$ 5,066.2</u>	<u>\$ 5,049.3</u>
	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,002.9	\$ 3,067.6	\$ 3,181.9	\$ 3,258.1
Net operating loss carryforwards	855.0	815.7	970.7	965.3
Accumulated other comprehensive income	<u>1,170.7</u>	<u>698.1</u>	<u>634.0</u>	<u>731.8</u>
Common shareholders' equity	<u>\$ 5,028.6</u>	<u>\$ 4,581.4</u>	<u>\$ 4,786.6</u>	<u>\$ 4,955.2</u>
	<u>1Q14</u>			
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,996.0			
Net operating loss carryforwards	948.0			
Accumulated other comprehensive income	<u>766.2</u>			
Common shareholders' equity	<u>\$ 4,710.2</u>			

## Information Related to Certain Non-GAAP Financial Measures

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

	Trailing Four Quarter Average				
	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>1Q14</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,018.9	\$ 3,004.3	\$ 3,026.9	\$ 3,092.4	\$ 3,126.8
Net operating loss carryforwards	844.2	854.3	869.4	890.4	913.3
Accumulated other comprehensive income	<u>1,103.0</u>	<u>1,111.7</u>	<u>1,000.1</u>	<u>866.9</u>	<u>758.1</u>
Common shareholders' equity	<u>\$ 4,966.1</u>	<u>\$ 4,970.3</u>	<u>\$ 4,896.4</u>	<u>\$ 4,849.7</u>	<u>\$ 4,798.2</u>

## Information Related to Certain Non-GAAP Financial Measures

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

The debt to capital ratio, excluding accumulated other comprehensive income (loss), differs from the debt to capital ratio because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management. A reconciliation of these ratios is as follows (\$ in millions):

	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>1Q14</u>
Corporate notes payable	\$ 934.2	\$ 905.7	\$ 868.6	\$ 856.4	\$ 844.1
Total shareholders' equity	<u>5,028.6</u>	<u>4,581.4</u>	<u>4,786.6</u>	<u>4,955.2</u>	<u>4,710.2</u>
Total capital	<u>\$ 5,962.8</u>	<u>\$ 5,487.1</u>	<u>\$ 5,655.2</u>	<u>\$ 5,811.6</u>	<u>\$ 5,554.3</u>
Corporate debt to capital	<u>15.7%</u>	<u>16.5%</u>	<u>15.4%</u>	<u>14.7%</u>	<u>15.2%</u>
Corporate notes payable	\$ 934.2	\$ 905.7	\$ 868.6	\$ 856.4	\$ 844.1
Total shareholders' equity	5,028.6	4,581.4	4,786.6	4,955.2	4,710.2
Less accumulated other comprehensive income	<u>(1,170.7)</u>	<u>(698.1)</u>	<u>(634.0)</u>	<u>(731.8)</u>	<u>(766.2)</u>
Total capital	<u>\$ 4,792.1</u>	<u>\$ 4,789.0</u>	<u>\$ 5,021.2</u>	<u>\$ 5,079.8</u>	<u>\$ 4,788.1</u>
Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure)	<u>19.5%</u>	<u>18.9%</u>	<u>17.3%</u>	<u>16.9%</u>	<u>17.6%</u>

