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

Form 10-Q

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

For the quarterly period ended June 30, 2019

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

For the transition period from ___ to ___

Commission File Number 001-31792

CNO Financial Group, Inc.

Delaware	75-3108137
State of Incorporation	**IRS Employer Identification No.**

11825 N. Pennsylvania Street Carmel, Indiana 46032	(317) 817-6100
Address of principal executive offices	**Telephone**

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CNO	New York Stock Exchange
Rights to purchase Series D Junior Participating Preferred Stock		New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

Shares of common stock outstanding as of July 23, 2019: 155,992,870

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

ASSETS

	June 30, 2019	December 31, 2018
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: June 30, 2019 - $18,773.1; December 31, 2018 - $18,107.8)	$ 20,437.2	$ 18,447.7
Equity securities at fair value (cost: June 30, 2019 - $39.9; December 31, 2018 - $319.8)	38.8	291.0
Mortgage loans	1,596.5	1,602.1
Policy loans	121.6	119.7
Trading securities	248.3	233.1
Investments held by variable interest entities	1,215.2	1,468.4
Other invested assets	1,018.8	833.4
Total investments	24,676.4	22,995.4
Cash and cash equivalents - unrestricted	557.4	594.2
Cash and cash equivalents held by variable interest entities	50.5	62.4
Accrued investment income	211.2	205.2
Present value of future profits	299.3	343.6
Deferred acquisition costs	1,253.2	1,322.5
Reinsurance receivables	4,829.4	4,925.4
Income tax assets, net	348.3	630.0
Assets held in separate accounts	4.9	4.4
Other assets	485.4	356.7
Total assets	$ 32,716.0	$ 31,439.8

(continued on next page)

The accompanying notes are an integral part
of the consolidated financial statements.

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2019	December 31, 2018
Liabilities:		
Liabilities for insurance products:		
Policyholder account balances	$ 11,758.5	$ 11,594.1
Future policy benefits	11,407.2	11,082.4
Liability for policy and contract claims	517.8	521.9
Unearned and advanced premiums	248.1	253.9
Liabilities related to separate accounts	4.9	4.4
Other liabilities	740.2	632.4
Investment borrowings	1,645.2	1,645.8
Borrowings related to variable interest entities	1,153.6	1,417.2
Notes payable – direct corporate obligations	988.3	916.8
Total liabilities	28,463.8	28,068.9
Commitments and Contingencies		
Shareholders' equity:		
Common stock ($0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: June 30, 2019 – 156,768,002; December 31, 2018 – 162,201,692)	1.6	1.6
Additional paid-in capital	2,903.2	2,995.0
Accumulated other comprehensive income	1,098.2	177.7
Retained earnings	249.2	196.6
Total shareholders' equity	4,252.2	3,370.9
Total liabilities and shareholders' equity	$ 32,716.0	$ 31,439.8

The accompanying notes are an integral part
of the consolidated financial statements.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions, except per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Insurance policy income	$ 618.3	$ 659.8	$ 1,237.6	$ 1,319.7
Net investment income:				
General account assets	286.7	328.2	557.3	657.3
Policyholder and other special-purpose portfolios	47.8	35.7	133.0	48.5
Realized investment gains (losses):				
Net realized investment gains (losses), excluding impairment losses	5.3	11.0	23.6	(4.2)
Impairment losses recognized (a)	—	—	(2.2)	—
Total realized gains (losses)	5.3	11.0	21.4	(4.2)
Fee revenue and other income	21.7	11.6	53.5	32.8
Total revenues	979.8	1,046.3	2,002.8	2,054.1
Benefits and expenses:				
Insurance policy benefits	610.4	618.2	1,233.9	1,204.8
Interest expense	38.6	37.7	79.6	71.3
Amortization	46.2	61.0	104.4	132.9
Loss on extinguishment of debt	7.3	—	7.3	—
Loss on extinguishment of borrowings related to variable interest entities	—	3.8	—	3.8
Other operating costs and expenses	229.6	195.8	464.3	403.4
Total benefits and expenses	932.1	916.5	1,889.5	1,816.2
Income before income taxes	47.7	129.8	113.3	237.9
Income tax expense on period income	10.1	27.6	23.9	51.4
Net income	$ 37.6	$ 102.2	$ 89.4	$ 186.5
Earnings per common share:				
Basic:				
Weighted average shares outstanding	158,816,000	166,098,000	159,882,000	166,579,000
Net income	$ .24	$ .62	$ .56	$ 1.12
Diluted:				
Weighted average shares outstanding	159,735,000	167,978,000	160,962,000	168,828,000
Net income	$ .24	$ .61	$ .56	$ 1.10

(a) No portion of the other-than-temporary impairments recognized in the periods was included in accumulated other comprehensive income.

The accompanying notes are an integral part
of the consolidated financial statements.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in millions)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income	$ 37.6	$ 102.2	$ 89.4	$ 186.5
Other comprehensive income, before tax:				
Unrealized gains (losses) for the period	681.3	(461.3)	1,371.5	(1,115.0)
Adjustment to present value of future profits and deferred acquisition costs	(66.2)	33.0	(116.7)	88.7
Amount related to premium deficiencies assuming the net unrealized gains (losses) had been realized	(45.0)	191.4	(76.5)	403.0
Reclassification adjustments:				
For net realized investment gains included in net income	(4.0)	(11.3)	(2.9)	(11.7)
For amortization of the present value of future profits and deferred acquisition costs related to net realized investment gains (losses) included in net income	.2	.4	.4	.4
Other comprehensive income (loss) before tax	566.3	(247.8)	1,175.8	(634.6)
Income tax (expense) benefit related to items of accumulated other comprehensive income (loss)	(123.0)	53.7	(255.3)	139.0
Other comprehensive income (loss), net of tax	443.3	(194.1)	920.5	(495.6)
Comprehensive income (loss)	$ 480.9	$ (91.9)	$ 1,009.9	$ (309.1)

The accompanying notes are an integral part
of the consolidated financial statements.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Dollars in millions, shares in thousands)
(unaudited)

	Common stock		Additional paid-in	Accumulated other comprehensive	Retained	
	Shares	Amount	capital	income	earnings	Total
Balance, March 31, 2018	167,354	$ 1.7	$ 3,075.5	$ 894.3	$ 645.7	$ 4,617.2
Net income	—	—	—	—	102.2	102.2
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of $53.4)	—	—	—	(193.3)	—	(193.3)
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax benefit of $.3)	—	—	—	(.8)	—	(.8)
Cost of common stock repurchased	(2,998)	(.1)	(60.4)	—	—	(60.5)
Dividends on common stock	—	—	—	—	(16.7)	(16.7)
Employee benefit plans, net of shares used to pay tax withholdings	77	—	6.8	—	—	6.8
Balance, June 30, 2018	164,433	$ 1.6	$ 3,021.9	$ 700.2	$ 731.2	$ 4,454.9
Balance, March 31, 2019	159,955	$ 1.6	$ 2,952.2	$ 654.9	$ 229.2	$ 3,837.9
Net income	—	—	—	—	37.6	37.6
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $123.0)	—	—	—	443.3	—	443.3
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax expense of less than $.1)	—	—	—	—	—	—
Cost of common stock repurchased	(3,342)	—	(55.0)	—	—	(55.0)
Dividends on common stock	—	—	—	—	(17.6)	(17.6)
Employee benefit plans, net of shares used to pay tax withholdings	155	—	6.0	—	—	6.0
Balance, June 30, 2019	156,768	$ 1.6	$ 2,903.2	$ 1,098.2	$ 249.2	$ 4,252.2

The accompanying notes are an integral part
of the consolidated financial statements.

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CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY, continued
(Dollars in millions, shares in thousands)
(unaudited)

	Common stock		Additional paid-in	Accumulated other comprehensive	Retained	
	Shares	Amount	capital	income	earnings	Total
Balance, December 31, 2017	166,858	$ 1.7	$ 3,073.3	$ 1,212.1	$ 560.4	$ 4,847.5
Cumulative effect of accounting change	—	—	—	(16.3)	16.3	—
Balance, January 1, 2018	166,858	1.7	3,073.3	1,195.8	576.7	4,847.5
Net income	—	—	—	—	186.5	186.5
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of $138.9)	—	—	—	(495.4)	—	(495.4)
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax benefit of $.1)	—	—	—	(.2)	—	(.2)
Cost of common stock repurchased	(2,998)	(.1)	(60.4)	—	—	(60.5)
Dividends on common stock	—	—	—	—	(32.0)	(32.0)
Employee benefit plans, net of shares used to pay tax withholdings	573	—	9.0	—	—	9.0
Balance, June 30, 2018	164,433	$ 1.6	$ 3,021.9	$ 700.2	$ 731.2	$ 4,454.9
Balance, December 31, 2018	162,202	$ 1.6	$ 2,995.0	$ 177.7	$ 196.6	$ 3,370.9
Cumulative effect of accounting change	—	—	—	—	(3.1)	(3.1)
Balance, January 1, 2019	162,202	1.6	2,995.0	177.7	193.5	3,367.8
Net income	—	—	—	—	89.4	89.4
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $255.3)	—	—	—	920.4	—	920.4
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax expense of less than $.1)	—	—	—	.1	—	.1
Cost of common stock repurchased	(6,235)	—	(102.0)	—	—	(102.0)
Dividends on common stock	—	—	—	—	(33.7)	(33.7)
Employee benefit plans, net of shares used to pay tax withholdings	801	—	10.2	—	—	10.2
Balance, June 30, 2019	156,768	$ 1.6	$ 2,903.2	$ 1,098.2	$ 249.2	$ 4,252.2

The accompanying notes are an integral part
of the consolidated financial statements.

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CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Insurance policy income	$ 1,151.5	$ 1,243.5
Net investment income	559.4	646.9
Fee revenue and other income	53.5	32.8
Insurance policy benefits	(819.5)	(1,032.8)
Interest expense	(79.6)	(65.6)
Deferrable policy acquisition costs	(143.0)	(125.6)
Other operating costs	(407.9)	(425.1)
Income taxes	3.3	(30.4)
Net cash from operating activities	317.7	243.7
Cash flows from investing activities:		
Sales of investments	2,463.4	2,012.9
Maturities and redemptions of investments	1,094.6	1,412.0
Purchases of investments	(3,675.2)	(3,689.1)
Net sales (purchases) of trading securities	(8.1)	36.3
Other	(84.2)	(13.0)
Net cash used by investing activities	(209.5)	(240.9)
Cash flows from financing activities:		
Issuance of notes payable, net	494.2	—
Payments on notes payable	(425.0)	—
Expenses related to extinguishment of debt	(6.1)	—
Issuance of common stock	3.6	.8
Payments to repurchase common stock	(103.8)	(67.5)
Common stock dividends paid	(33.8)	(31.9)
Amounts received for deposit products	873.8	753.2
Withdrawals from deposit products	(689.5)	(671.3)
Issuance of investment borrowings:		
Federal Home Loan Bank	346.8	—
Related to variable interest entities	—	277.6
Payments on investment borrowings:		
Federal Home Loan Bank	(347.4)	(.4)
Related to variable interest entities	(269.7)	(274.9)
Net cash used by financing activities	(156.9)	(14.4)
Net decrease in cash and cash equivalents	(48.7)	(11.6)
Cash and cash equivalents - unrestricted and held by variable interest entities, beginning of period	656.6	757.3
Cash and cash equivalents - unrestricted and held by variable interest entities, end of period	$ 607.9	$ 745.7

The accompanying notes are an integral part
of the consolidated financial statements.

BUSINESS AND BASIS OF PRESENTATION

The following notes should be read together with the notes to the consolidated financial statements included in our 2018 Annual Report on Form 10-K.

CNO Financial Group, Inc., a Delaware corporation ("CNO"), is a holding company for a group of insurance companies operating throughout the United States that develop, market and administer health insurance, annuity, individual life insurance and other insurance products. The terms "CNO Financial Group, Inc.", "CNO", the "Company", "we", "us", and "our" as used in these financial statements refer to CNO and its subsidiaries. Such terms, when used to describe insurance business and products, refer to the insurance business and products of CNO's insurance subsidiaries.

We focus on serving middle-income pre-retiree and retired Americans, which we believe are attractive, underserved, high growth markets. We sell our products through three distribution channels: career agents, independent producers (some of whom sell one or more of our product lines exclusively) and direct marketing.

Our unaudited consolidated financial statements reflect normal recurring adjustments that, in the opinion of management, are necessary for a fair statement of our financial position, results of operations and cash flows for the periods presented. As permitted by rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to quarterly reports on Form 10-Q, we have condensed or omitted certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We have reclassified certain amounts from the prior periods to conform to the 2019 presentation. These reclassifications have no effect on net income or shareholders' equity. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

The balance sheet at December 31, 2018, presented herein, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

When we prepare financial statements in conformity with GAAP, we are required to make estimates and assumptions that significantly affect reported amounts of various assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. For example, we use significant estimates and assumptions to calculate values for deferred acquisition costs, the present value of future profits, fair value measurements of certain investments (including derivatives), other-than-temporary impairments of investments, assets and liabilities related to income taxes, liabilities for insurance products, liabilities related to litigation and guaranty fund assessment accruals. If our future experience differs from these estimates and assumptions, our financial statements would be materially affected.

The accompanying financial statements include the accounts of the Company and its subsidiaries. Our consolidated financial statements exclude transactions between us and our consolidated affiliates, or among our consolidated affiliates.

INVESTMENTS

We classify our *fixed maturity securities* into one of two categories: (i) "available for sale" (which we carry at estimated fair value with any unrealized gain or loss, net of tax and related adjustments, recorded as a component of shareholders' equity); or (ii) "trading" (which we carry at estimated fair value with changes in such value recognized as net investment income (classified as investment income from policyholder and other special-purpose portfolios)).

Our trading securities include: (i) investments purchased with the intent of selling in the near term to generate income; (ii) investments supporting certain insurance liabilities; and (iii) certain fixed maturity securities containing embedded derivatives for which we have elected the fair value option. The change in fair value of the income generating investments and investments supporting insurance liabilities is recognized in income from policyholder and other special-purpose portfolios (a component of net investment income). The change in fair value of securities with embedded derivatives is recognized in realized investment gains (losses). Investment income related to investments supporting certain insurance liabilities is substantially offset by the change in insurance policy benefits related to certain products.

Accumulated other comprehensive income is primarily comprised of the net effect of unrealized appreciation (depreciation) on our investments. These amounts, included in shareholders' equity as of June 30, 2019 and December 31, 2018 , were as follows (dollars in millions):

	June 30, 2019	December 31, 2018
Net unrealized appreciation (depreciation) on fixed maturity securities, available for sale, on which an other-than-temporary impairment loss has been recognized	$ 1.3	$ 1.2
Net unrealized gains on all other fixed maturity securities, available for sale	1,639.8	271.3
Adjustment to present value of future profits (a)	(15.1)	(4.5)
Adjustment to deferred acquisition costs	(153.6)	(38.3)
Adjustment to insurance liabilities	(69.4)	(2.5)
Deferred income tax liabilities	(304.8)	(49.5)
Accumulated other comprehensive income	$ 1,098.2	$ 177.7

(a) The present value of future profits is the value assigned to the right to receive future cash flows from contracts existing at September 10, 2003, the date Conseco, Inc., an Indiana corporation, emerged from bankruptcy.

At June 30, 2019 , adjustments to present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included $(5.7) million , $(3.9) million , $(69.4) million and $17.1 million , respectively, for premium deficiencies that would exist on certain blocks of business if unrealized gains on the assets backing such products had been realized and the proceeds from the sales of such assets were invested at then current yields.

At June 30, 2019 , the amortized cost, gross unrealized gains and losses, estimated fair value, other-than-temporary impairments in accumulated other comprehensive income of fixed maturities, available for sale, were as follows (dollars in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Other-than-temporary impairments included in accumulated other comprehensive income
Corporate securities	$ 11,448.6	$ 1,121.9	$ (31.1)	$ 12,539.4	$ —
United States Treasury securities and obligations of United States government corporations and agencies	154.8	38.7	(.1)	193.4	—
States and political subdivisions	1,896.3	233.7	—	2,130.0	—
Debt securities issued by foreign governments	76.5	8.2	—	84.7	—
Asset-backed securities	2,546.0	167.6	(2.3)	2,711.3	—
Collateralized debt obligations	285.0	.1	(1.7)	283.4	—
Commercial mortgage-backed securities	1,689.1	75.1	(5.2)	1,759.0	—
Mortgage pass-through securities	1.3	.1	—	1.4	—
Collateralized mortgage obligations	675.5	59.2	(.1)	734.6	(.5)
Total fixed maturities, available for sale	$ 18,773.1	$ 1,704.6	$ (40.5)	$ 20,437.2	$ (.5)

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At December 31, 2018 , the amortized cost, gross unrealized gains and losses, estimated fair value, other-than-temporary impairments in accumulated other comprehensive income of fixed maturities, available for sale, were as follows (dollars in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Other-than-temporary impairments included in accumulated other comprehensive income
Corporate securities	$ 11,168.5	$ 404.7	$ (370.2)	$ 11,203.0	$ —
United States Treasury securities and obligations of United States government corporations and agencies	152.9	22.1	(.2)	174.8	—
States and political subdivisions	1,725.8	144.6	(2.6)	1,867.8	—
Debt securities issued by foreign governments	60.3	.9	(1.7)	59.5	—
Asset-backed securities	2,552.1	130.3	(7.6)	2,674.8	—
Collateralized debt obligations	338.0	—	(15.2)	322.8	—
Commercial mortgage-backed securities	1,522.9	16.8	(21.7)	1,518.0	—
Mortgage pass-through securities	1.5	.1	—	1.6	—
Collateralized mortgage obligations	585.8	43.7	(4.1)	625.4	(.5)
Total fixed maturities, available for sale	$ 18,107.8	$ 763.2	$ (423.3)	$ 18,447.7	$ (.5)

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at June 30, 2019 , by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Structured securities (such as asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities, mortgage pass-through securities and collateralized mortgage obligations, collectively referred to as "structured securities") frequently include provisions for periodic principal payments and permit periodic unscheduled payments.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	$ 360.3	$ 365.1
Due after one year through five years	1,169.3	1,216.9
Due after five years through ten years	1,426.0	1,506.7
Due after ten years	10,620.6	11,858.8
Subtotal	13,576.2	14,947.5
Structured securities	5,196.9	5,489.7
Total fixed maturities, available for sale	$ 18,773.1	$ 20,437.2

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at December 31, 2018 , by contractual maturity.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	$ 405.6	$ 409.8
Due after one year through five years	1,346.8	1,377.1
Due after five years through ten years	1,648.2	1,625.7
Due after ten years	9,706.9	9,892.5
Subtotal	13,107.5	13,305.1
Structured securities	5,000.3	5,142.6
Total fixed maturities, available for sale	$ 18,107.8	$ 18,447.7

Net Realized Investment Gains (Losses)

The following table sets forth the net realized investment gains (losses) for the periods indicated (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Fixed maturity securities, available for sale:				
Gross realized gains on sale	$ 5.9	$ 31.9	$ 66.8	$ 40.1
Gross realized losses on sale	(.8)	(17.8)	(52.3)	(25.5)
Impairment losses recognized	—	—	(2.2)	—
Net realized investment gains (losses) from fixed maturities	5.1	14.1	12.3	14.6
Equity securities, including change in fair value (a)	.1	2.2	10.8	(10.3)
Loss on dissolution of variable interest entity	(5.1)	—	(5.1)	—
Other (a)	5.2	(5.3)	3.4	(8.5)
Net realized investment gains (losses)	$ 5.3	$ 11.0	$ 21.4	$ (4.2)

(a) Changes in the estimated fair value of trading securities that we have elected the fair value option and equity securities (and are still held as of the end of the respective periods) were $10.3 million and $(4.2) million for the six months ended June 30, 2019 and 2018 , respectively.

During the first six months of 2019 , we recognized net realized investment gains of $21.4 million , which were comprised of: (i) $5.3 million of net gains from the sales of investments; (ii) $5.1 million of losses on the dissolution of a VIE; (iii) $10.8 million of gains related to equity securities, including the change in fair value; (iv) the increase in fair value of certain fixed maturity investments with embedded derivatives of $7.7 million ; (v) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $4.9 million ; and (vi) $2.2 million of writedowns of investments for other than temporary declines in fair value recognized through net income.

During the first six months of 2018 , we recognized net realized investment losses of $4.2 million , which were comprised of: (i) $11.8 million of net gains from the sales of investments; (ii) $10.3 million of losses related to equity securities, including the change in fair value; (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $1.5 million ; and (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of $4.2 million .

Our fixed maturity investments are generally purchased in the context of various long-term strategies, including funding insurance liabilities, so we do not generally seek to generate short-term realized gains through the purchase and sale of such securities. In certain circumstances, including those in which securities are selling at prices which exceed our view of their underlying economic value, or when it is possible to reinvest the proceeds to better meet our long-term asset-liability objectives, we may sell certain securities.

During the first six months of 2019 , the $52.3 million of gross realized losses on sales of $877.4 million of fixed maturity securities, available for sale included: (i) $45.2 million related to various corporate securities; and (ii) $7.1 million related to various other investments. Securities are generally sold at a loss following unforeseen issuer-specific events or conditions or shifts in perceived relative values. These reasons include but are not limited to: (i) changes in the investment environment, including changes in relative value among potential investment strategies; (ii) expectation that the market value could deteriorate; (iii) our desire to reduce our exposure to an asset class, an issuer or an industry; (iv) prospective or actual changes in credit quality; or (v) changes in expected portfolio cash flows.

During the first six months of 2019 , we recognized $2.2 million of impairment losses recorded in earnings related to a corporate security due to an issuer specific event. There were no impairment losses recognized in the first six months of 2018.

We regularly evaluate all of our investments with unrealized losses for possible impairment. Our assessment of whether unrealized losses are "other than temporary" requires significant judgment. Factors considered include: (i) the extent to which fair value is less than the cost basis; (ii) the length of time that the fair value has been less than cost; (iii) whether the unrealized loss is event driven, credit-driven or a result of changes in market interest rates or risk premium; (iv) the near-term prospects for specific events, developments or circumstances likely to affect the value of the investment; (v) the investment's rating and whether the investment is investment-grade and/or has been downgraded since its purchase; (vi) whether the issuer is current on all payments in accordance with the contractual terms of the investment and is expected to meet all of its obligations under the terms of the investment; (vii) whether we intend to sell the investment or it is more likely than not that circumstances will require us to sell the investment before recovery occurs; (viii) the underlying current and prospective asset and enterprise values of the issuer and the extent to which the recoverability of the carrying value of our investment may be affected by changes in such values; (ix) projections of, and unfavorable changes in, cash flows on structured securities including mortgage-backed and asset-backed securities; (x) our best estimate of the value of any collateral; and (xi) other objective and subjective factors.

Future events may occur, or additional information may become available, which may necessitate future realized losses in our portfolio. Significant losses could have a material adverse effect on our consolidated financial statements in future periods.

The manner in which impairment losses on fixed maturity securities, available for sale, are recognized in the financial statements is dependent on the facts and circumstances related to the specific security. If we intend to sell a security or it is more likely than not that we would be required to sell a security before the recovery of its amortized cost, the security is other-than-temporarily impaired and the full amount of the impairment is recognized as a loss through earnings. If we do not expect to recover the amortized cost basis, we do not plan to sell the security, and if it is not more likely than not that we would be required to sell a security before the recovery of its amortized cost, less any current period credit loss, the recognition of the other-than-temporary impairment is bifurcated. We recognize the credit loss portion in net income and the noncredit loss portion in accumulated other comprehensive income.

We estimate the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate of future cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset-backed or floating-rate security. The methodology and assumptions for establishing the best estimate of future cash flows vary depending on the type of security.

For most structured securities, cash flow estimates are based on bond-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity, prepayment speeds and structural support, including overcollateralization, excess spread, subordination and guarantees. For corporate bonds, cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using bond-specific facts and circumstances. The previous amortized cost basis less the impairment recognized in net income becomes the

security's new cost basis. We accrete the new cost basis to the estimated future cash flows over the expected remaining life of the security, except when the security is in default or considered nonperforming.

The remaining noncredit impairment, which is recorded in accumulated other comprehensive income, is the difference between the security's estimated fair value and our best estimate of future cash flows discounted at the effective interest rate prior to impairment. The remaining noncredit impairment typically represents changes in the market interest rates, current market liquidity and risk premiums. As of June 30, 2019 , other-than-temporary impairments included in accumulated other comprehensive income totaled $.5 million (before taxes and related amortization).

The following table summarizes the amount of credit losses recognized in earnings on fixed maturity securities, available for sale, held at the beginning of the period, for which a portion of the other-than-temporary impairment was also recognized in accumulated other comprehensive income for the three and six months ended June 30, 2019 and 2018 (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Credit losses on fixed maturity securities, available for sale, beginning of period	$ (.2)	$ (2.8)	$ (.2)	$ (2.8)
Add: credit losses on other-than-temporary impairments not previously recognized	—	—	—	—
Less: credit losses on securities sold	—	2.5	—	2.5
Less: credit losses on securities impaired due to intent to sell (a)	—	—	—	—
Add: credit losses on previously impaired securities	—	—	—	—
Less: increases in cash flows expected on previously impaired securities	—	—	—	—
Credit losses on fixed maturity securities, available for sale, end of period	$ (.2)	$ (.3)	$ (.2)	$ (.3)

(a) Represents securities for which the amount previously recognized in accumulated other comprehensive income was recognized in earnings because we intend to sell the security or we more likely than not will be required to sell the security before recovery of its amortized cost basis.

Gross Unrealized Investment Losses

Our investment strategy is to maximize, over a sustained period and within acceptable parameters of quality and risk, investment income and total investment return through active strategic asset allocation and investment management. Accordingly, we may sell securities at a gain or a loss to enhance the projected total return of the portfolio as market opportunities change, to reflect changing perceptions of risk, or to better match certain characteristics of our investment portfolio with the corresponding characteristics of our insurance liabilities.

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at June 30, 2019 (dollars in millions):

	Less than 12 months		12 months or greater		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	$ 254.2	$ (3.3)	$ 693.2	$ (27.8)	$ 947.4	$ (31.1)
United States Treasury securities and obligations of United States government corporations and agencies	—	—	7.9	(.1)	7.9	(.1)
States and political subdivisions	—	—	2.1	—	2.1	—
Asset-backed securities	191.9	(.8)	113.0	(1.5)	304.9	(2.3)
Collateralized debt obligations	109.2	(.7)	65.2	(1.0)	174.4	(1.7)
Commercial mortgage-backed securities	60.9	(.1)	115.6	(5.1)	176.5	(5.2)
Collateralized mortgage obligations	16.3	—	14.5	(.1)	30.8	(.1)
Total fixed maturities, available for sale	$ 632.5	$ (4.9)	$ 1,011.5	$ (35.6)	$ 1,644.0	$ (40.5)

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at December 31, 2018 (dollars in millions):

	Less than 12 months		12 months or greater		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	$ 4,702.9	$ (280.9)	$ 805.9	$ (89.3)	$ 5,508.8	$ (370.2)
United States Treasury securities and obligations of United States government corporations and agencies	2.0	—	19.2	(.2)	21.2	(.2)
States and political subdivisions	91.3	(1.3)	33.3	(1.3)	124.6	(2.6)
Debt securities issued by foreign governments	16.8	(.7)	15.1	(1.0)	31.9	(1.7)
Asset-backed securities	572.4	(3.6)	238.0	(4.0)	810.4	(7.6)
Collateralized debt obligations	318.9	(15.2)	—	—	318.9	(15.2)
Commercial mortgage-backed securities	560.3	(6.3)	281.1	(15.4)	841.4	(21.7)
Collateralized mortgage obligations	46.1	(.6)	72.4	(3.5)	118.5	(4.1)
Total fixed maturities, available for sale	$ 6,310.7	$ (308.6)	$ 1,465.0	$ (114.7)	$ 7,775.7	$ (423.3)

Based on management's current assessment of investments with unrealized losses at June 30, 2019 , the Company believes the issuers of the securities will continue to meet their obligations. While we do not have the intent to sell securities with unrealized losses and it is not more likely than not that we will be required to sell securities with unrealized losses prior to their anticipated recovery, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, if a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we had the intent to sell the security before its anticipated recovery.

EARNINGS PER SHARE

A reconciliation of net income (loss) and shares used to calculate basic and diluted earnings per share is as follows (dollars in millions and shares in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income for basic and diluted earnings per share	$ 37.6	$ 102.2	$ 89.4	$ 186.5
Shares:				
Weighted average shares outstanding for basic earnings per share	158,816	166,098	159,882	166,579
Effect of dilutive securities on weighted average shares:				
Amounts related to employee benefit plans	919	1,880	1,080	2,249
Weighted average shares outstanding for diluted earnings per share	159,735	167,978	160,962	168,828

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Restricted shares (including our performance units) are not included in basic earnings per share until vested. Diluted earnings per share reflect the potential dilution that could occur if outstanding stock options were exercised and restricted stock was vested. The dilution from options and restricted shares is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options (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 average market price during the period, reducing the dilutive effect of the exercise of the options (or the vesting of the restricted stock and performance units).

BUSINESS SEGMENTS

The Company manages its business through the following operating segments: Bankers Life, Washington National and Colonial Penn, which are defined on the basis of product distribution; long-term care in run-off; and corporate operations, comprised of holding company activities and certain noninsurance company businesses. On September 27, 2018, the Company completed a long-term care reinsurance transaction pursuant to which its wholly-owned subsidiary, Bankers Life and Casualty Company ("Bankers Life"), entered into an agreement to cede all of its legacy (prior to 2003) comprehensive and nursing home long-term care policies (with statutory reserves of $2.7 billion) through 100% indemnity coinsurance. In anticipation of the reinsurance agreement, the Company reorganized its business segments to move the block to be ceded from the "Bankers Life segment" to the "Long-term care in run-off segment" in the third quarter of 2018. All prior period segment disclosures have been revised to conform to management's current view of the Company's operating segments.

We measure segment performance by excluding net realized investment gains (losses), fair value changes in embedded derivative liabilities (net of related amortization), fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, income taxes and other non-operating items consisting primarily of earnings attributable to variable interest entities ("VIEs") ("pre-tax operating earnings") because we believe that this performance measure is a better indicator of the ongoing business and trends in our business. Our primary investment focus is on investment income to support our liabilities for insurance products as opposed to the generation of net realized investment gains (losses), and a long-term focus is necessary to maintain profitability over the life of the business.

The net realized investment gains (losses), fair value changes in embedded derivative liabilities (net of related amortization), fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt and other non-operating items consisting primarily of earnings attributable to VIEs depend on market conditions or represent unusual items that do not necessarily relate to the underlying business of our segments. Net realized investment gains (losses) and fair value changes in embedded derivative liabilities (net of related amortization) may affect future earnings levels since our underlying business is long-term in nature and changes in our investment portfolio may impact our ability to earn the assumed interest rates needed to maintain the profitability of our business.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(unaudited)

Operating information by segment is as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Bankers Life:				
Insurance policy income:				
Annuities	$ 4.2	$ 4.8	$ 10.7	$ 9.4
Health	254.1	256.3	509.2	513.2
Life	104.2	105.0	207.8	208.9
Net investment income (a)	226.8	213.2	457.6	404.3
Fee revenue and other income (a)	12.7	10.6	38.5	30.2
Total Bankers Life revenues	602.0	589.9	1,223.8	1,166.0
Washington National:				
Insurance policy income:				
Annuities	.1	.2	.2	.7
Health	167.0	164.0	333.4	327.8
Life	7.6	6.8	14.9	13.5
Net investment income (a)	64.8	64.1	130.0	129.5
Fee revenue and other income (a)	3.3	.3	3.5	.5
Total Washington National revenues	242.8	235.4	482.0	472.0
Colonial Penn:				
Insurance policy income:				
Health	.4	.4	.8	.9
Life	77.2	74.1	153.5	147.7
Net investment income (a)	10.8	11.3	21.5	22.3
Fee revenue and other income (a)	.4	.4	.9	.9
Total Colonial Penn revenues	88.8	86.2	176.7	171.8
Long-term care in run-off:				
Insurance policy income - health	3.5	48.2	7.1	97.6
Net investment income (a)	8.4	54.9	16.6	110.1
Total Long-term care in run-off revenues	11.9	103.1	23.7	207.7
Corporate operations:				
Net investment income	7.6	4.0	29.3	5.2
Fee and other income	1.5	1.5	3.1	3.3
Total corporate revenues	9.1	5.5	32.4	8.5
Total revenues	$ 954.6	$ 1,020.1	$ 1,938.6	$ 2,026.0

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	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Expenses:				
Bankers Life:				
Insurance policy benefits	$ 360.9	$ 350.4	$ 741.2	$ 690.0
Amortization	37.2	37.7	83.7	82.1
Interest expense on investment borrowings	8.6	7.5	17.3	13.6
Commission expense and distribution fees	14.7	12.7	40.9	35.0
Other operating costs and expenses	94.2	90.9	191.2	177.1
Total Bankers Life expenses	515.6	499.2	1,074.3	997.8
Washington National:				
Insurance policy benefits	143.3	142.5	284.2	280.2
Amortization	14.9	14.4	29.7	28.9
Interest expense on investment borrowings	3.3	2.7	6.6	4.8
Commission expense	21.5	18.7	42.6	36.5
Other operating costs and expenses	33.9	31.7	62.5	61.9
Total Washington National expenses	216.9	210.0	425.6	412.3
Colonial Penn:				
Insurance policy benefits	52.5	50.6	108.7	107.3
Amortization	3.6	4.1	8.1	8.7
Interest expense on investment borrowings	.4	.4	.8	.7
Commission expense	.4	.3	.7	.6
Other operating costs and expenses	26.1	25.4	54.0	50.6
Total Colonial Penn expenses	83.0	80.8	172.3	167.9
Long-term care in run-off:				
Insurance policy benefits	8.1	85.1	16.8	168.6
Amortization	—	2.3	—	4.9
Commission expense	.1	.4	.2	.8
Other operating costs and expenses	.5	6.8	1.0	12.9
Total Long-term care in run-off expenses	8.7	94.6	18.0	187.2
Corporate operations:				
Interest expense on corporate debt	12.6	11.9	24.7	23.8
Other operating costs and expenses	21.1	19.5	43.6	38.0
Total corporate expenses	33.7	31.4	68.3	61.8
Total expenses	857.9	916.0	1,758.5	1,827.0
Pre-tax operating earnings by segment:				
Bankers Life	86.4	90.7	149.5	168.2
Washington National	25.9	25.4	56.4	59.7
Colonial Penn	5.8	5.4	4.4	3.9
Long-term care in run-off	3.2	8.5	5.7	20.5
Corporate operations	(24.6)	(25.9)	(35.9)	(53.3)
Pre-tax operating earnings	$ 96.7	$ 104.1	$ 180.1	$ 199.0

(a) It is not practicable to provide additional components of revenue by product or services.

A reconciliation of segment revenues and expenses to consolidated revenues and expenses and net income is as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Total segment revenues	$ 954.6	$ 1,020.1	$ 1,938.6	$ 2,026.0
Net realized investment gains (losses)	5.3	11.0	21.4	(4.2)
Revenues related to VIEs	14.9	15.2	32.8	32.3
Fee revenue related to transition services agreement	5.0	—	10.0	—
Consolidated revenues	979.8	1,046.3	2,002.8	2,054.1
Total segment expenses	857.9	916.0	1,758.5	1,827.0
Insurance policy benefits - fair value changes in embedded derivative liabilities	45.6	(10.4)	83.0	(41.3)
Amortization related to fair value changes in embedded derivative liabilities	(9.7)	2.1	(17.5)	7.9
Amortization related to net realized investment gains	.2	.4	.4	.4
Expenses related to VIEs	14.5	19.4	31.4	33.2
Fair value changes related to agent deferred compensation plan	11.6	(11.0)	16.9	(11.0)
Loss on extinguishment of debt	7.3	—	7.3	—
Expenses related to transition services agreement	4.7	—	9.5	—
Consolidated expenses	932.1	916.5	1,889.5	1,816.2
Income before tax	47.7	129.8	113.3	237.9
Tax expense on period income	10.1	27.6	23.9	51.4
Net income	$ 37.6	$ 102.2	$ 89.4	$ 186.5

ACCOUNTING FOR DERIVATIVES

Our freestanding and embedded derivatives, which are not designated as hedging instruments, are held at fair value and are summarized as follows (dollars in millions):

	Fair value	
	June 30, 2019	December 31, 2018
Assets:		
Other invested assets:		
Fixed index call options	$ 119.6	$ 26.6
Reinsurance receivables	(1.6)	(6.5)
Total assets	$ 118.0	$ 20.1
Liabilities:		
Future policy benefits:		
Fixed index products	$ 1,454.2	$ 1,289.0
Total liabilities	$ 1,454.2	$ 1,289.0

Our fixed index annuity products provide a guaranteed minimum rate of return and a higher potential return that is based on a percentage (the "participation rate") of the amount of increase in the value of a particular index, such as the Standard &

Poor's 500 Index, over a specified period. Typically, on each policy anniversary date, a new index period begins. We are generally able to change the participation rate at the beginning of each index period during a policy year, subject to contractual minimums. The Company accounts for the options attributed to the policyholder for the estimated life of the contract as embedded derivatives. These accounting requirements often create volatility in the earnings from these products. We typically buy call options (including call spreads) referenced to the applicable indices in an effort to offset or hedge potential increases to policyholder benefits resulting from increases in the particular index to which the policy's return is linked. The notional amount of these options was $3.2 billion and $3.0 billion at June 30, 2019 and December 31, 2018 , respectively.

We are required to establish an embedded derivative related to a modified coinsurance agreement pursuant to which we assume the risks of a block of health insurance business. The embedded derivative represents the mark-to-market adjustment for approximately $118 million in underlying investments held by the ceding reinsurer at June 30, 2019 .

We purchase certain fixed maturity securities that contain embedded derivatives that are required to be held at fair value on the consolidated balance sheet. We have elected the fair value option to carry the entire security at fair value with changes in fair value recognized in net income.

The following table provides the pre-tax gains (losses) recognized in net income for derivative instruments, which are not designated as hedges for the periods indicated (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net investment income (loss) from policyholder and other special-purpose portfolios:				
Fixed index call options	$ 22.5	$ 13.4	$ 65.2	$ 7.8
Net realized gains (losses):				
Embedded derivative related to modified coinsurance agreement	2.6	(1.5)	4.9	(4.2)
Insurance policy benefits:				
Embedded derivative related to fixed index annuities	(42.6)	16.0	(77.6)	53.0
Total	$ (17.5)	$ 27.9	$ (7.5)	$ 56.6

Derivative Counterparty Risk

If the counterparties to the call options fail to meet their obligations, we may recognize a loss. We limit our exposure to such a loss by diversifying among several counterparties believed to be strong and creditworthy. At June 30, 2019 , all of our counterparties were rated "A-" or higher by S&P Global Ratings ("S&P").

The Company and its subsidiaries are parties to master netting arrangements with its counterparties related to entering into various derivative contracts. Exchange-traded derivatives require margin accounts which we offset.

The following table summarizes information related to derivatives with master netting arrangements or collateral as of June 30, 2019 and December 31, 2018 (dollars in millions):

	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
June 30, 2019:						
Fixed index call options	$ 119.6	$ —	$ 119.6	$ —	$ —	$ 119.6
December 31, 2018:						
Fixed index call options	26.6	—	26.6	—	—	26.6

REINSURANCE

The cost of reinsurance ceded totaled $65.4 million and $26.1 million in the second quarters of 2019 and 2018 , respectively, and $133.3 million and $50.6 million in the first six months of 2019 and 2018 , respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled $112.3 million and $20.8 million in the second quarters of 2019 and 2018 , respectively, and $221.0 million and $44.2 million in the first six months of 2019 and 2018 , respectively.

From time to time, we assume insurance from other companies. Any costs associated with the assumption of insurance are amortized consistent with the method used to amortize deferred acquisition costs. Reinsurance premiums assumed totaled $6.4 million and $7.0 million in the second quarters of 2019 and 2018 , respectively, and $12.9 million and $14.2 million in the first six months of 2019 and 2018 , respectively. Insurance policy benefits related to reinsurance assumed totaled $8.9 million and $8.7 million in the second quarters of 2019 and 2018 , respectively, and $17.8 million and $18.0 million in the first six months of 2019 and 2018 , respectively.

INCOME TAXES

The Company's interim tax expense is based upon the estimated annual effective tax rate for the respective period. Under authoritative guidance, certain items are required to be excluded from the estimated annual effective tax rate calculation. Such items include changes in judgment about the realizability of deferred tax assets resulting from changes in projections of income expected to be available in future years, and items deemed to be unusual, infrequent, or that can not be reliably estimated. In these cases, the actual tax expense or benefit applicable to that item is treated discretely and is reported in the same period as the related item. The components of income tax expense are as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Current tax expense	$ 4.1	$ 15.4	$ 9.3	$ 20.7
Deferred tax expense	6.0	12.2	14.6	30.7
Income tax expense calculated based on estimated annual effective tax rate	$ 10.1	$ 27.6	$ 23.9	$ 51.4

A reconciliation of the U.S. statutory corporate tax rate to the estimated annual effective rate, reflected in the consolidated statement of operations is as follows:

	Six months ended June 30,	
	2019	2018
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	(1.0)	(.2)
State taxes	1.1	.8
Estimated annual effective tax rate	21.1 %	21.6 %

The components of the Company's income tax assets and liabilities are summarized below (dollars in millions):

	June 30, 2019	December 31, 2018
Deferred tax assets:		
Net federal operating loss carryforwards	$ 632.2	$ 685.1
Net state operating loss carryforwards	12.6	14.5
Insurance liabilities	326.4	283.9
Other	47.0	46.3
Gross deferred tax assets	1,018.2	1,029.8
Deferred tax liabilities:		
Investments	(18.9)	(10.1)
Present value of future profits and deferred acquisition costs	(164.6)	(171.1)
Accumulated other comprehensive income	(305.4)	(50.2)
Gross deferred tax liabilities	(488.9)	(231.4)
Net deferred tax assets before valuation allowance	529.3	798.4
Valuation allowance	(193.7)	(193.7)
Net deferred tax assets	335.6	604.7
Current income taxes prepaid (accrued)	12.7	25.3
Income tax assets, net	$ 348.3	$ 630.0

Our income tax expense includes deferred income taxes arising from temporary differences between the financial reporting and tax bases of assets and liabilities and net operating loss carryforwards ("NOLs"). Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or paid. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period when the changes are enacted.

A reduction of the net carrying amount of deferred tax assets by establishing a valuation allowance is required if, based on the available evidence, it is more likely than not that such assets will not be realized. In assessing the need for a valuation allowance, all available evidence, both positive and negative, shall be considered to determine whether, based on the weight of that evidence, a valuation allowance for deferred tax assets is needed. This assessment requires significant judgment and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of carryforward periods, our experience with operating loss and tax credit carryforwards expiring unused, and tax planning strategies. We evaluate the need to establish a valuation allowance for our deferred income tax assets on an ongoing basis. The realization of our deferred tax assets depends upon generating sufficient future taxable income of the appropriate type during the periods in which our temporary differences become deductible and before our NOLs expire.

Based on our assessment, it appears more likely than not that $335.6 million of our net deferred tax assets of $529.3 million will be realized through future taxable earnings. Accordingly, we have established a deferred tax valuation allowance of $193.7 million at June 30, 2019 ($189.9 million of which relates to our net federal operating loss carryforwards and $3.8 million relates to state operating loss carryforwards). We will continue to assess the need for a valuation allowance in the future. If future results are less than projected, an increase to the valuation allowance may be required to reduce the deferred tax asset, which could have a material impact on our results of operations in the period in which it is recorded.

We use a deferred tax valuation model to assess the need for a valuation allowance. Our model is adjusted to reflect changes in our projections of future taxable income including changes resulting from the Tax Cuts and Jobs Act (the "Tax Reform Act"), investment strategies, the impact of the sale or reinsurance of business and the recapture of business previously ceded. Our estimates of future taxable income are based on evidence we consider to be objective and verifiable.

Our projection of future taxable income for purposes of determining the valuation allowance is based on our adjusted average annual taxable income which is assumed to increase by approximately 3.5 percent for the next five years , and level taxable income thereafter. In the projections used for our analysis, our adjusted average taxable income of approximately $465 million consisted of $85 million of non-life taxable income and $380 million of life taxable income.

Recovery of our deferred tax asset is dependent on achieving the level of future taxable income projected in our deferred tax valuation model and failure to do so could result in an increase in the valuation allowance in a future period. Any future increase in the valuation allowance may result in additional income tax expense and reduce shareholders' equity, and such an increase could have a significant impact upon our earnings in the future.

The Internal Revenue Code (the "Code") limits the extent to which losses realized by a non-life entity (or entities) may offset income from a life insurance company (or companies) to the lesser of: (i) 35 percent of the income of the life insurance company; or (ii) 35 percent of the total loss of the non-life entities (including NOLs of the non-life entities). This limitation is the primary reason a valuation allowance for NOLs is required. There is no similar limitation on the extent to which losses realized by a life insurance entity (or entities) may offset income from a non-life entity (or entities).

Section 382 of the Code imposes limitations on a corporation's ability to use its NOLs when the company undergoes a 50 percent ownership change over a three-year period. Future transactions and the timing of such transactions could cause an ownership change for Section 382 income tax purposes. Such transactions may include, but are not limited to, additional repurchases under our securities repurchase program, issuances of common stock and acquisitions or sales of shares of CNO stock by certain holders of our shares, including persons who have held, currently hold or may accumulate in the future five percent or more of our outstanding common stock for their own account. Many of these transactions are beyond our control. If an additional ownership change were to occur for purposes of Section 382, we would be required to calculate an annual restriction on the use of our NOLs to offset future taxable income. The annual restriction would be calculated based upon the value of CNO's equity at the time of such ownership change, multiplied by a federal long-term tax exempt rate (2.19 percent at June 30, 2019), and the annual restriction could limit our ability to use a substantial portion of our NOLs to offset future taxable income. We regularly monitor ownership change (as calculated for purposes of Section 382) and, as of June 30, 2019 , we were below the 50 percent ownership change level that would trigger further impairment of our ability to utilize our NOLs.

Pursuant to the Tax Reform Act, NOLs generated subsequent to 2017 do not have an expiration date. We have $3.0 billion of federal NOLs as of June 30, 2019 , as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2023	$ 1,695.2
2025	85.2
2026	149.9
2027	10.8
2028	80.3
2029	213.2
2030	.3
2031	.2
2032	44.4
2033	.6
2034	.9
2035	.8
Total federal non-life NOLs	2,281.8
Post 2017 life NOLs with no expiration	728.6
Total federal NOLs	$ 3,010.4

The life NOL is expected to be used to offset 80 percent of our future life insurance company taxable income due to limitations prescribed in the Tax Reform Act. Our life NOL has no expiration date and we expect it to be fully utilized over the next three to four years, depending on the level of life taxable income during such period. Our non-life NOLs can be used to offset 35 percent of remaining life insurance company taxable income after application of the life NOLs, until all non-life NOLs are utilized or expire.

We also had deferred tax assets related to NOLs for state income taxes of $12.6 million and $14.5 million at June 30, 2019 and December 31, 2018 , respectively. The related state NOLs are available to offset future state taxable income in certain states through 2033.

The Company's various state income tax returns are generally open for tax years beginning in 2015, based on individual state statutes of limitation. Generally, for tax years which generate NOLs, capital losses or tax credit carryforwards, the statute remains open until the expiration of the statute of limitations for the tax year in which such carryforwards are utilized. The outcome of tax audits cannot be predicted with certainty. If the Company's tax audits are not resolved in a manner consistent with management's expectations, the Company may be required to adjust its provision for income taxes.

NOTES PAYABLE - DIRECT CORPORATE OBLIGATIONS

The following notes payable were direct corporate obligations of the Company as of June 30, 2019 and December 31, 2018 (dollars in millions):

	June 30, 2019	December 31, 2018
4.500% Senior Notes due May 2020	$ —	$ 325.0
5.250% Senior Notes due May 2025	500.0	500.0
5.250% Senior Notes due May 2029	500.0	—
Revolving Credit Agreement (as defined below)	—	100.0
Unamortized debt issue costs	(11.7)	(8.2)
Direct corporate obligations	$ 988.3	$ 916.8

2029 Notes

On June 12, 2019, the Company executed the Indenture, dated as of June 12, 2019 (the "Base Indenture") and the First Supplemental Indenture, dated as of June 12, 2019 (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee") pursuant to which the Company issued $500.0 million aggregate principal amount of 5.250% Senior Notes due 2029 (the "2029 Notes").

The Company used the net proceeds from the offering of the 2029 Notes to: (i) repay all amounts outstanding under its existing Revolving Credit Agreement (as defined below); (ii) redeem and satisfy and discharge all of its outstanding 4.500% Senior Notes due May 2020 (the "2020 Notes"); and (iii) pay fees and expenses related to the foregoing. The remaining proceeds were used for general corporate purposes.

The 2029 Notes mature on May 30, 2029 and interest on the 2029 Notes is payable at 5.250% per annum. Interest on the 2029 Notes is payable semi-annually in cash in arrears on May 30 and November 30 of each year, commencing on November 30, 2019.

The 2029 Notes are the Company’s senior unsecured obligations and rank equally with the Company’s other senior unsecured and unsubordinated debt from time to time outstanding. The 2029 Notes are effectively subordinated to all of the Company’s existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The 2029 Notes are structurally subordinated to all existing and future indebtedness and other liabilities of the Company’s subsidiaries.

Prior to February 28, 2029, the Company may redeem some or all of the 2029 Notes at any time or from time to time at a "make-whole" redemption price plus accrued and unpaid interest to, but not including, the redemption date. On and after February 28, 2029, the Company may redeem some or all of the 2029 Notes at any time or from time to time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date.

Upon the occurrence of a Change of Control Repurchase Event (as defined in the Indenture), the Company will be required to make an offer to repurchase the 2029 Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase. In the event that the 2029 Notes receive investment grade credit ratings, this covenant will cease to apply.

The Indenture contains covenants that restrict the Company’s ability, with certain exceptions, to:

- create liens;
- issue, sell, transfer or otherwise dispose of any shares of capital stock of any Insurance Subsidiary (as defined in the Indenture); and
- consolidate or merge with or into other companies or transfer all or substantially all of the Company’s assets.

The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the Indenture, failure to pay at maturity or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. Generally, if an event of default occurs, the Trustee or holders of at least 50% in principal amount of the then outstanding 2029 Notes may declare the principal of and accrued but unpaid interest, including any additional interest, on all of the 2029 Notes to be due and payable.

Revolving Credit Agreement

On May 19, 2015, the Company entered into a $150.0 million four -year unsecured revolving credit agreement with KeyBank National Association, as administrative agent (the "Agent"), and the lenders from time to time party thereto. On May 19, 2015, the Company made an initial drawing of $100.0 million under the Revolving Credit Agreement. On October 13, 2017, the Company entered into an amendment and restatement agreement (the "Amendment Agreement") with respect to its revolving credit agreement (as amended by the Amendment Agreement, the "Revolving Credit Agreement"). The Amendment Agreement, among other things, increased the total commitments available under the revolving credit facility from $150.0 million to $250.0 million , increased the aggregate amount of additional incremental loans the Company may incur from $50.0 million to $100.0 million and extended the maturity date of the revolving credit facility from May 19, 2019 to October 13, 2022. As described above, all amounts outstanding under the Revolving Credit Agreement were repaid in connection with the issuance of the 2029 Notes. There were no amounts outstanding under the Revolving Credit Agreement at June 30, 2019 .

The interest rates with respect to loans under the Revolving Credit Agreement are based on, at the Company's option, a floating base rate (defined as a per annum rate equal to the highest of: (i) the federal funds rate plus 0.50% ; (ii) the "prime rate" of the Agent; and (iii) the eurodollar rate for a one-month interest period plus an applicable margin based on the Company's unsecured debt rating), or a eurodollar rate plus an applicable margin based on the Company's unsecured debt rating. The margins under the Revolving Credit Agreement range from 1.375 percent to 2.125 percent , in the case of loans at the eurodollar rate, and 0.375 percent to 1.125 percent , in the case of loans at the base rate. In addition, the daily average undrawn portion of the Revolving Credit Agreement accrues a commitment fee payable quarterly in arrears. The applicable margin for, and the commitment fee applicable to, the Revolving Credit Agreement, will be adjusted from time to time pursuant to a ratings-based pricing grid.

The Revolving Credit Agreement requires the Company to maintain (each as calculated in accordance with the Revolving Credit Agreement): (i) a debt to total capitalization ratio of not more than 35.0 percent (such ratio was 24.1 percent at June 30, 2019); (ii) an aggregate ratio of total adjusted capital to company action level risk-based capital for the Company's insurance subsidiaries of not less than 250 percent (such ratio was approximately 409 percent at June 30, 2019); and (iii) a minimum consolidated net worth of not less than the sum of (x) $2,674 million plus (y) 50.0 percent of the net equity proceeds received by the Company from the issuance and sale of equity interests in the Company (the Company's consolidated net worth was $3,154.0 million at June 30, 2019 compared to the minimum requirement of $2,689.2 million).

Loss on Extinguishment of Debt

In the second quarter of 2019 , we recognized a loss on the extinguishment of debt totaling $7.3 million which consisted of: (i) a premium of $6.1 million related to the redemption of the 2020 Notes; and (ii) the write-off of $1.2 million of unamortized issuance costs associated with the redemption of the 2020 Notes.

Scheduled Repayment of our Direct Corporate Obligations

The scheduled repayment of our direct corporate obligations was as follows at June 30, 2019 (dollars in millions):

Year ending June 30,		
2020	$	—
2021		—
2022		—
2023		—
2024		—
Thereafter		1,000.0
	$	1,000.0

INVESTMENT BORROWINGS

Three of the Company's insurance subsidiaries (Washington National Insurance Company ("Washington National"), Bankers Life and Colonial Penn Life Insurance Company ("Colonial Penn")) are members of the Federal Home Loan Bank ("FHLB"). As members of the FHLB, our insurance subsidiaries have the ability to borrow on a collateralized basis from the FHLB. We are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At June 30, 2019 , the carrying value of the FHLB common stock was $71.1 million . As of June 30, 2019 , collateralized borrowings from the FHLB totaled $1.6 billion and the proceeds were used to purchase fixed maturity securities. The borrowings are classified as investment borrowings in the accompanying consolidated balance sheet. The borrowings are collateralized by investments with an estimated fair value of $2.0 billion at June 30, 2019 , which are maintained in a custodial account for the benefit of the FHLB. Substantially all of such investments are classified as fixed maturities, available for sale, in our consolidated balance sheet.

The following summarizes the terms of the borrowings from the FHLB by our insurance subsidiaries (dollars in millions):

Amount borrowed	Maturity date	Interest rate at June 30, 2019
$ 50.0	July 2019	Variable rate – 3.131%
15.0	October 2019	Variable rate – 3.095%
21.8	June 2020	Fixed rate – 1.960%
25.0	September 2020	Variable rate – 2.968%
100.0	October 2020	Variable rate – 2.708%
100.0	July 2021	Variable rate – 3.147%
100.0	July 2021	Variable rate – 3.117%
28.2	August 2021	Fixed rate – 2.550%
57.7	August 2021	Variable rate - 3.095%
125.0	August 2021	Variable rate – 2.884%
50.0	September 2021	Variable rate – 3.061%
22.0	May 2022	Variable rate – 2.874%
100.0	May 2022	Variable rate – 2.859%
10.0	June 2022	Variable rate – 3.067%
50.0	July 2022	Variable rate – 2.951%
50.0	July 2022	Variable rate – 2.961%
50.0	July 2022	Variable rate – 2.962%
50.0	August 2022	Variable rate – 2.955%
50.0	December 2022	Variable rate – 2.820%
50.0	December 2022	Variable rate – 2.820%
23.6	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – 2.784%
100.0	July 2023	Variable rate – 2.784%
50.0	February 2024	Variable rate – 2.830%
50.0	May 2024	Variable rate – 2.869%
21.8	May 2024	Variable rate – 2.863%
100.0	May 2024	Variable rate – 2.887%
50.0	May 2024	Variable rate – 2.932%
75.0	June 2024	Variable rate – 2.640%
20.1	June 2025	Fixed rate – 2.940%
$ 1,645.2		

The variable rate borrowings are pre-payable on each interest reset date without penalty. The fixed rate borrowings are pre-payable subject to payment of a yield maintenance fee based on prevailing market interest rates. At June 30, 2019 , the aggregate yield maintenance fee to prepay all fixed rate borrowings was $3.4 million .

Interest expense of $24.6 million and $19.1 million in the first six months of 2019 and 2018 , respectively, was recognized related to total borrowings from the FHLB.

CHANGES IN COMMON STOCK

In the first six months of 2019 , we repurchased 6.2 million shares of common stock for $102.0 million under our securities repurchase program (including $2.0 million of repurchases settled in the third quarter of 2019). The Company had remaining repurchase authority of $182.6 million as of June 30, 2019 .

In the first six months of 2019 , dividends declared on common stock totaled $33.7 million ($0.21 per common share). In May 2019, the Company increased its quarterly common stock dividend to $0.11 per share from $0.10 per share.

SALES INDUCEMENTS

Certain of our annuity products offer sales inducements to contract holders in the form of enhanced crediting rates or bonus payments in the initial period of the contract. Certain of our life insurance products offer persistency bonuses credited to the contract holder's balance after the policy has been outstanding for a specified period of time. These enhanced rates and persistency bonuses are considered sales inducements in accordance with GAAP. Such amounts are deferred and amortized in the same manner as deferred acquisition costs. Sales inducements deferred totaled $14.4 million and $2.8 million during the six months ended June 30, 2019 and 2018 , respectively. Amounts amortized totaled $2.5 million and $5.1 million during the six months ended June 30, 2019 and 2018 , respectively. The unamortized balance of deferred sales inducements was $55.4 million and $43.5 million at June 30, 2019 and December 31, 2018 , respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS

Pending Accounting Standards

In June 2016, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance related to the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The guidance will be effective for the Company for fiscal years beginning in 2020, including interim periods within the fiscal year. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has not yet determined the expected impact of adoption of this guidance on its consolidated financial position, results of operations or cash flows.

In January 2017, the FASB issued authoritative guidance that removes Step 2 of the goodwill impairment test under current guidance, which requires a hypothetical purchase price allocation. The new guidance requires an impairment charge to be recognized for the amount by which the carrying amount exceeds the reported unit's fair value. Upon adoption, the guidance is to be applied prospectively. The guidance will be effective for the Company on January 1, 2020, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued authoritative guidance that makes targeted improvements to the accounting for long-duration contracts. The new guidance: (i) improves the timeliness of recognizing changes in the liability for future benefits and modifies the rate used to discount future cash flows; (ii) simplifies and improves the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts; (iii) simplifies the amortization of deferred acquisition costs; and (iv) requires enhanced disclosures, including disaggregated rollforwards of the liability for future policy benefits, policyholder account balances, market risk benefits and deferred acquisition costs. Additionally, qualitative and quantitative information about expected cash flows, estimates and assumptions will be required. The new measurement guidance for traditional and limited-payment contract liabilities and the new guidance for the amortization of deferred acquisition costs are required to be adopted on a modified retrospective transition approach, with an option to elect a full retrospective transition if certain criteria are met. The transition approach for deferred acquisition costs is required to be consistent with the transition applied to the liability for future policyholder benefits. Under the modified retrospective approach, for contracts in-force at the transition date, an entity would continue to use the existing locked-in investment yield interest rate assumption to calculate the net premium ratio, rather than the upper-medium grade fixed-income corporate instrument yield. However, for balance sheet remeasurement purposes, the current upper-medium grade fixed-income corporate instrument yield would be used at transition through accumulated other comprehensive income and subsequently through other comprehensive income. For market risk benefits, retrospective application is required, with the ability to use

hindsight to measure fair value components to the extent assumptions in a prior period are unobservable or otherwise unavailable. The guidance will be effective for the Company on January 1, 2021, with early adoption permitted. In July 2019, the FASB Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot on proposed amendments regarding the effective date of this guidance. Such amendments would defer the effective date of this guidance for the Company by one year (until January 1, 2022). Once it is issued, the proposed Accounting Standards Update will be subject to a comment period of 30 days. The Company has not yet determined the expected impact of adoption of this guidance on its consolidated financial position, results of operations or cash flows.

In August 2018, the FASB issued authoritative guidance related to changes to the disclosure requirements for fair value measurement. The new guidance removes, modifies and adds certain disclosure requirements. The guidance will be effective for the Company on January 1, 2020. The adoption of such guidance will impact certain fair value disclosures, but will not impact our consolidated financial position, results of operations or cash flows.

Adopted Accounting Standards

In February 2016, the FASB issued authoritative guidance related to accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of future lease payments, and a corresponding asset, adjusted for certain items, is also recorded. Expense recognition for lessees will remain similar to current accounting requirements for capital and operating leases. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The guidance was effective for the Company on January 1, 2019. Based on lease contracts in effect at January 1, 2019, the impact of implementation of the new leasing guidance was the recognition of a "right to use" asset (included in other assets) and a "lease liability" (included in other liabilities) of $72 million and there was no cumulative effect adjustment to retained earnings as of January 1, 2019. The Company elected to apply practical expedients related to the adoption of the new guidance including: not reassessing whether a contract includes an embedded lease at adoption; not reassessing the previously determined classification of a lease as operating or capital; not reassessing our previously recorded initial direct costs; election of an accounting policy that permits inclusion of both the lease and non-lease components as a single component and account for it as a lease; and election of an accounting policy to exclude lease accounting requirements for leases that have terms of less than twelve months. Refer to the note to the consolidated financial statements entitled "Leases" for additional disclosures.

In March 2017, the FASB issued authoritative guidance related to the premium amortization on purchased callable debt securities. The guidance shortens the amortization period for certain callable debt securities held at a premium. Specifically, the new guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance was effective for the Company on January 1, 2019. The guidance was applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of January 1, 2019. The impact of adoption was as follows (dollars in millions):

	January 1, 2019		
	Amounts prior to effect of adoption of authoritative guidance	Effect of adoption of authoritative guidance	As adjusted
Fixed maturities, available for sale	$ 18,447.7	$ (4.0)	$ 18,443.7
Income tax assets, net	630.0	.9	630.9
Total assets	31,439.8	(3.1)	31,436.7
Retained earnings	196.6	(3.1)	193.5
Total shareholders' equity	3,370.9	(3.1)	3,367.8

In August 2017, the FASB issued authoritative guidance related to derivatives and hedging. The new guidance expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instruments and the hedged item in the financial statements. The new guidance also includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The guidance was effective for the Company on January 1, 2019. Based on the Company's current use of derivatives and hedging activities, the adoption of this guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

LITIGATION AND OTHER LEGAL PROCEEDINGS

Legal Proceedings

The Company and its subsidiaries are involved in various legal actions in the normal course of business, in which claims for compensatory and punitive damages are asserted, some for substantial amounts. We recognize an estimated loss from these loss contingencies when we believe it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Some of the pending matters have been filed as purported class actions and some actions have been filed in certain jurisdictions that permit punitive damage awards that are disproportionate to the actual damages incurred. The amounts sought in certain of these actions are often large or indeterminate and the ultimate outcome of certain actions is difficult to predict. In the event of an adverse outcome in one or more of these matters, there is a possibility that the ultimate liability may be in excess of the liabilities we have established and could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the resolution of pending or future litigation may involve modifications to the terms of outstanding insurance policies or could impact the timing and amount of rate increases, which could adversely affect the future profitability of the related insurance policies. Based upon information presently available, and in light of legal, factual and other defenses available to the Company and its subsidiaries, the Company does not believe that it is probable that the ultimate liability from either pending or threatened legal actions, after consideration of existing loss provisions, will have a material adverse effect on the Company's consolidated financial condition, operating results or cash flows. However, given the inherent difficulty in predicting the outcome of legal proceedings, there exists the possibility that such legal actions could have a material adverse effect on the Company's consolidated financial condition, operating results or cash flows.

In addition to the inherent difficulty of predicting litigation outcomes, particularly those that will be decided by a jury, some matters purport to seek substantial or an unspecified amount of damages for unsubstantiated conduct spanning several years based on complex legal theories and damages models. The alleged damages typically are indeterminate or not factually supported in the complaint, and, in any event, the Company's experience indicates that monetary demands for damages often

bear little relation to the ultimate loss. In some cases, plaintiffs are seeking to certify classes in the litigation and class certification either has been denied or is pending and we have filed oppositions to class certification or sought to decertify a prior class certification. In addition, for many of these cases: (i) there is uncertainty as to the outcome of pending appeals or motions; (ii) there are significant factual issues to be resolved; and/or (iii) there are novel legal issues presented. Accordingly, the Company cannot reasonably estimate the possible loss or range of loss in excess of amounts accrued, if any, or predict the timing of the eventual resolution of these matters. The Company reviews these matters on an ongoing basis. When assessing reasonably possible and probable outcomes, the Company bases its assessment on the expected ultimate outcome following all appeals.

On September 29, 2016, Washington National and Bankers Conseco Life Insurance Company ("BCLIC") commenced an arbitration proceeding seeking compensatory, consequential and punitive damages against Beechwood Re Ltd. ("BRe") based upon BRe’s incurable material breaches of the long-term care reinsurance agreements, conversion, fraud, and breaches of fiduciary duties and the obligation to deal honestly and in good faith. BRe filed a counterclaim against Washington National and BCLIC in the arbitration alleging damages relating to the reinsurance agreements and their termination. In addition, on September 29, 2016, a complaint was filed by BCLIC and Washington National in the United States District Court for the Southern District of New York, Bankers Conseco Life Insurance Company and Washington National Insurance Company v. Moshe M. Feuer, Scott Taylor and David Levy, alleging, among other claims, fraud/fraudulent concealment, and violation of the Racketeer Influenced and Corrupt Organizations Act. These allegations relate to the long-term care reinsurance agreements between BRe and Washington National and BCLIC, respectively, and emanate from the undisclosed relationships between and among the defendants (who were the principal owners and officers of BRe) and Platinum Partners, LP and its affiliates. On April 27, 2017, an amended complaint was filed adding Beechwood Capital Group, LLC as a defendant. On March 13, 2018, the District Court granted defendants' motion to compel arbitration of Washington National's and BCLIC's claims and the litigation is now stayed pending the outcome of the arbitration. Washington National and BCLIC intend to vigorously pursue their claims for damages and other remedies in the arbitration and the litigation described above.

By public notice dated July 26, 2017, the Cayman Islands Monetary Authority advised that, effective July 25, 2017, two individuals (the "Controllers") had been appointed pursuant to Section 24(2)(h) of the Cayman Islands Insurance Law to assume control of the affairs of BRe. According to the public notice, effective with their appointment, the Controllers assumed immediate control of the affairs of BRe and have all the powers necessary to administer the affairs of BRe including power to terminate its insurance business. The Controllers are responsible for assessing the financial position of BRe and submitting a report to the Cayman Islands Monetary Authority. On August 10, 2018, the Cayman Islands Monetary Authority filed a public petition in the Grand Court of the Cayman Islands to officially wind up BRe, concluding that BRe was now of doubtful solvency. On November 27, 2018, the Grand Court of the Cayman Islands granted the petition to officially wind up BRe and appointed the current Controllers of BRe to be its Joint Official Liquidators.

On December 19, 2018, Melanie Cyganowski, as Equity Receiver for Platinum Partners Credit Opportunities Master Fund, LP and other Platinum entities (the "PPCO Receiver") brought an action in the United States District Court for the Southern District of New York, *Cyganowski v. Beechwood Re Ltd, et al.* , alleging, among other claims, fraud, aiding and abetting fraud, fraudulent transfer and violation of the Racketeer Influenced and Corrupt Organizations Act against numerous defendants, including BRe and many of its affiliates, CNO Financial Group, Inc., BCLIC, Washington National and 40|86 Advisors, Inc. The PPCO Receiver alleges that Platinum insiders conspired with BRe and its principals and affiliates in a massive fraudulent scheme to enrich the Platinum and BRe insiders to the detriment of Platinum investors and creditors. The PPCO Receiver alleges that CNO Financial Group, Inc., BCLIC, Washington National and 40|86 Advisors, Inc. have liability for the fraudulent scheme of the Platinum and BRe insiders under a theory that they turned a blind eye to the fraudulent scheme due to their desire to transfer unprofitable legacy portfolios of long-term care insurance via the reinsurance transactions with BRe. On January 24, 2019, the court consolidated the PPCO Receiver action with two other cases (to which the CNO companies are not parties) before it for at least discovery purposes. The court set a scheduling order under which all three of the consolidated actions are to be trial-ready by September 20, 2019. CNO Financial Group, Inc., BCLIC, Washington National and 40|86 Advisors, Inc. are vigorously contesting the PPCO Receiver’s claims.

On March 27, 2019, BCLIC and Washington National brought cross-claims and third-party claims in the PPCO Receiver Action against BRe and a number of its affiliates, as well as many Platinum and BRe insiders, alleging that they secretly funded, controlled and operated the BRe enterprise for the benefit of Platinum. BCLIC and Washington National have also brought third-party claims against Lincoln International LLC, which provided valuation services to the BRe enterprise. BCLIC and Washington National are vigorously pursuing their cross-claims and third-party claims in that action.

On April 9, 2019, BCLIC and Washington National commenced an action entitled *Bankers Conseco Life Insurance Company and Washington National Insurance Company v. Wilmington Trust, National Association* , in the Supreme Court of the State of New York, County of New York, Commercial Division (the "Wilmington Action"). In the Wilmington Action, BCLIC and Washington National assert claims against Wilmington Trust, National Association ("Wilmington") for breaching its express contractual obligations under four trust agreements pursuant to which Wilmington was the trustee in regard to trust assets ceded as part of reinsurance agreements with BRe, as well as for breaching its fiduciary duties to BCLIC and Washington National.

On June 7, 2019, the Joint Official Liquidators of Platinum Partners Value Arbitrage Fund L.P. (in Official Liquidation) and Principal Growth Strategies, LLC, commenced suit against, among others, BCLIC, Washington National, 40|86 Advisors, Inc. and CNO Financial Group, Inc. (collectively, the "CNO Parties") in Delaware Chancery Court. Plaintiffs allege that the CNO Parties were unjustly enriched when they terminated BCLIC and Washington National's reinsurance agreements with BRe and recaptured assets from reinsurance trusts, in particular, Agera securities. Plaintiffs contend that the Agera securities were fraudulently transferred to the Reinsurance Trusts by other Platinum-related entities and they are seeking to claw back those Agera securities, or the value of those assets, from the CNO Parties. The CNO Parties have removed the case to the United States District Court for the District of Delaware and are vigorously contesting the plaintiff's claims.

On June 28, 2019, BCLIC and Washington National commenced an action entitled *Bankers Conseco Life Insurance Company and Washington National Insurance Company v. KPMG LLP* , in the Supreme Court of the State of New York, County of New York, Commercial Division (the "KPMG Action"). In the KPMG Action, BCLIC and Washington National assert claims against KPMG LLP ("KPMG") for aiding and abetting fraud, constructive fraud and negligent misrepresentation arising from KPMG's alleged role in the Platinum Partners' scheme to defraud BCLIC and Washington National into reinsuring its long-term care business with BRe.

Regulatory Examinations and Fines

Insurance companies face significant risks related to regulatory investigations and actions. Regulatory investigations generally result from matters related to sales or underwriting practices, payment of contingent or other sales commissions, claim payments and procedures, product design, product disclosure, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, procedures related to canceling policies, changing the way cost of insurance charges are calculated for certain life insurance products or recommending unsuitable products to customers. We are, in the ordinary course of our business, subject to various examinations, inquiries and information requests from state, federal and other authorities. The ultimate outcome of these regulatory actions (including the costs of complying with information requests and policy reviews) cannot be predicted with certainty. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of liabilities we have established and we could suffer significant reputational harm as a result of these matters, which could also have a material adverse effect on our business, financial condition, results of operations or cash flows.

In August 2011, we were notified of an examination to be done on behalf of a number of states for the purpose of determining compliance with unclaimed property laws by the Company and its subsidiaries. Such examination has included inquiries related to the use of data available on the U.S. Social Security Administration's Death Master File ("SSADMF") to identify instances where benefits under life insurance policies, annuities and retained asset accounts are payable. We are continuing to provide information to the examiners in response to their requests. A total of 40 states and the District of Columbia participated in this examination. In November 2018, we entered into a Global Resolution Agreement for compliance with laws and regulations concerning the identification, reporting and escheatment of unclaimed contract benefits or abandoned funds. Under the terms of the Global Resolution Agreement, a third-party auditor acting on behalf of the signatory jurisdictions will compare expanded matching criteria to the SSADMF to identify deceased insureds and contract holders where a valid claim has not been made.

CONSOLIDATED STATEMENT OF CASH FLOWS

The following reconciles net income to net cash from operating activities (dollars in millions):

	Six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	$ 89.4	$ 186.5
Adjustments to reconcile net income to net cash from operating activities:		
Amortization and depreciation	122.0	146.7
Income taxes	27.2	21.0
Insurance liabilities	329.1	94.4
Accrual and amortization of investment income	(130.9)	(58.9)
Deferral of policy acquisition costs	(143.0)	(125.6)
Net realized investment (gains) losses	(21.4)	4.2
Loss on extinguishment of debt	7.3	—
Loss on extinguishment of borrowings related to variable interest entities	—	3.8
Other	38.0	(28.4)
Net cash from operating activities	$ 317.7	$ 243.7

Other non-cash items not reflected in the investing and financing activities sections of the consolidated statement of cash flows (dollars in millions):

	Six months ended June 30,	
	2019	2018
Amounts related to employee benefit plans	$ 10.4	$ 14.1

ACQUISITION OF WEB BENEFITS DESIGN CORPORATION

On April 29, 2019, the Company acquired privately-owned Web Benefits Design Corporation ("WBD"), a leading online benefits administration firm with a best-in-class, proprietary technology platform for employer benefit programs. WBD offers a full-service, integrated employee benefits administration solution, distributed through a network of independent brokers and a direct sales force. Its cloud-based platform provides companies with a customizable suite of administration, compliance and communications solutions to manage employee benefits programs while delivering a simple and straightforward enrollment experience for employees.

The acquisition was accounted for as follows (dollars in millions):

Cash and cash equivalents	$	.6
Other assets		6.7
Goodwill and other intangible assets (classified as other assets)		80.4
Other liabilities		(6.0)
Net assets acquired	$	81.7
Consideration:		
Cash paid	$	66.7
Estimated additional earn-out if certain financial targets are achieved (classified as other liabilities)		15.0
Total consideration	$	81.7

In addition, we recognized advisory and legal expenses of approximately $2.2 million in connection with the acquisition.

LEASES

The Company rents office space for certain administrative operations of our Bankers Life segment under an agreement that expires in 2023. We lease sales offices in various states which are generally short-term in length with remaining lease terms expiring between 2019 and 2026. Many leases include an option to extend or renew the lease term. The exercise of the renewal option is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term only if the Company is reasonably certain of exercising those options. In determining the present value of lease payments, the Company uses its incremental borrowing rate for borrowings secured by collateral commensurate with the terms of the underlying lease.

Information related to our right to use assets are as follows (dollars in millions):

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating lease expense	$ 6.3	$ 12.4
Cash paid for operating lease liability	6.1	12.1
Right of use assets obtained in exchange for lease liabilities (non-cash transactions)	10.4	14.7

Maturities of our operating lease liabilities as of June 30, 2019 are as follows (dollars in millions):

2019	$	12.1
2020		22.2
2021		17.5
2022		14.0
2023		10.2
Thereafter		4.1
Total undiscounted lease payments		80.1
Less interest		(4.3)
Present value of lease liabilities	$	75.8

Weighted average remaining lease term (in years)	3.9
Weighted average discount rate	2.85%

Maturities of our operating lease liabilities prior to the adoption of the new lease guidance were as follows (dollars in millions):

	December 31, 2018
2019	$ 22.2
2020	18.7
2021	14.3
2022	11.0
2023	8.7
Thereafter	1.4
Total	$ 76.3

INVESTMENTS IN VARIABLE INTEREST ENTITIES

We have concluded that we are the primary beneficiary with respect to certain VIEs, which are consolidated in our financial statements. In consolidating the VIEs, we consistently use the financial information most recently distributed to investors in the VIE.

All of the VIEs are collateralized loan trusts that were established to issue securities to finance the purchase of corporate loans and other permitted investments. The assets held by the trusts are legally isolated and not available to the Company. The liabilities of the VIEs are expected to be satisfied from the cash flows generated by the underlying loans held by the trusts, not from the assets of the Company. The Company has no financial obligation to the VIEs beyond its investment in each VIE.

Certain of our subsidiaries are noteholders of the VIEs. Another subsidiary of the Company is the investment manager for the VIEs. As such, it has the power to direct the most significant activities of the VIEs which materially impacts the economic performance of the VIEs.

The following tables provide supplemental information about the assets and liabilities of the VIEs which have been consolidated in accordance with authoritative guidance (dollars in millions):

	June 30, 2019		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,215.2	$ —	$ 1,215.2
Notes receivable of VIEs held by subsidiaries	—	(115.0)	(115.0)
Cash and cash equivalents held by variable interest entities	50.5	—	50.5
Accrued investment income	2.1	—	2.1
Income tax assets, net	7.6	—	7.6
Other assets	2.4	(.8)	1.6
Total assets	$ 1,277.8	$ (115.8)	$ 1,162.0
Liabilities:			
Other liabilities	$ 41.6	$ (4.3)	$ 37.3
Borrowings related to variable interest entities	1,153.6	—	1,153.6
Notes payable of VIEs held by subsidiaries	127.3	(127.3)	—
Total liabilities	$ 1,322.5	$ (131.6)	$ 1,190.9

	December 31, 2018		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,468.4	$ —	$ 1,468.4
Notes receivable of VIEs held by subsidiaries	—	(142.8)	(142.8)
Cash and cash equivalents held by variable interest entities	62.4	—	62.4
Accrued investment income	2.3	—	2.3
Income tax assets, net	15.3	—	15.3
Other assets	5.3	(2.6)	2.7
Total assets	$ 1,553.7	$ (145.4)	$ 1,408.3
Liabilities:			
Other liabilities	$ 53.9	$ (5.3)	$ 48.6
Borrowings related to variable interest entities	1,417.2	—	1,417.2
Notes payable of VIEs held by subsidiaries	155.2	(155.2)	—
Total liabilities	$ 1,626.3	$ (160.5)	$ 1,465.8

The investment portfolios held by the VIEs are primarily comprised of commercial bank loans to corporate obligors which are almost entirely rated below-investment grade. At June 30, 2019 , such loans had an amortized cost of $1,236.7 million ; gross unrealized gains of $1.8 million ; gross unrealized losses of $23.3 million ; and an estimated fair value of $1,215.2 million .

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at June 30, 2019 , by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due after one year through five years	$ 616.8	$ 604.5
Due after five years through ten years	619.9	610.7
Total	$ 1,236.7	$ 1,215.2

During the first six months of 2019 , the VIEs recognized net realized investment losses of $14.5 million which were comprised of: (i) $9.4 million of net losses from the sales of fixed maturities; and (ii) $5.1 million of losses on the dissolution of a VIE. Such net realized losses included gross realized losses of $9.6 million from the sale of $267.7 million of investments. During the first six months of 2018 , the VIEs recognized net realized investment losses of $2.9 million from the sales of fixed maturities. Such net realized losses included gross realized losses of $3.1 million from the sale of $36.0 million of investments.

At June 30, 2019 , there were no investments held by the VIEs that were in default.

At June 30, 2019 , the VIEs held: (i) investments with a fair value of $718.6 million and gross unrealized losses of $11.2 million that had been in an unrealized loss position for less than twelve months; and (ii) investments with a fair value of $299.0 million and gross unrealized losses of $12.1 million that had been in an unrealized loss position for twelve months or greater.

At December 31, 2018 , the VIEs held: (i) investments with a fair value of $1,315.7 million and gross unrealized losses of $55.7 million that had been in an unrealized loss position for less than twelve months; and (ii) investments with a fair value of $137.6 million and gross unrealized losses of $11.3 million that had been in an unrealized loss position for twelve months or greater.

The investments held by the VIEs are evaluated for other-than-temporary declines in fair value in a manner that is consistent with the Company's fixed maturities, available for sale.

In addition, the Company, in the normal course of business, makes passive investments in structured securities issued by VIEs for which the Company is not the investment manager. These structured securities include asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities, residential mortgage-backed securities and collateralized mortgage obligations. Our maximum exposure to loss on these securities is limited to our cost basis in the investment. We have determined that we are not the primary beneficiary of these structured securities due to the relative size of our investment in comparison to the total principal amount of the individual structured securities and the level of credit subordination which reduces our obligation to absorb gains or losses.

At June 30, 2019 , we held investments in various limited partnerships and hedge funds, in which we are not the primary beneficiary, totaling $568.3 million (classified as other invested assets). At June 30, 2019 , we had unfunded commitments to these partnerships and hedge funds totaling $113.1 million . Our maximum exposure to loss on these investments is limited to the amount of our investment.

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and, therefore, represents an exit price, not an entry price. We carry certain assets and liabilities at fair value on a recurring basis, including fixed maturities, equity securities, trading securities, investments held by VIEs, derivatives, separate account assets and embedded derivatives. We carry our company-owned life insurance policy ("COLI"), which is invested in a series of mutual funds, at its cash surrender value which approximates fair value. In addition, we disclose fair value for certain financial instruments, including mortgage loans, policy loans, cash and cash equivalents, insurance liabilities for interest-sensitive products, investment borrowings, notes payable and borrowings related to VIEs.

The degree of judgment utilized in measuring the fair value of financial instruments is largely dependent on the level to which pricing is based on observable inputs. Observable inputs reflect market data obtained from independent sources, while

unobservable inputs reflect our view of market assumptions in the absence of observable market information. Financial instruments with readily available active quoted prices would be considered to have fair values based on the highest level of observable inputs, and little judgment would be utilized in measuring fair value. Financial instruments that rarely trade would often have fair value based on a lower level of observable inputs, and more judgment would be utilized in measuring fair value.

Valuation Hierarchy

There is a three-level hierarchy for valuing assets or liabilities at fair value based on whether inputs are observable or unobservable.

- Level 1 – includes assets and liabilities valued using inputs that are unadjusted quoted prices in active markets for identical assets or liabilities. Our Level 1 assets primarily include cash and cash equivalents and exchange-traded securities.

- Level 2 – includes assets and liabilities valued using inputs that are quoted prices for similar assets in an active market, quoted prices for identical or similar assets in a market that is not active, observable inputs, or observable inputs that can be corroborated by market data. Level 2 assets and liabilities include those financial instruments that are valued by independent pricing services using models or other valuation methodologies. These models consider various inputs such as credit rating, maturity, corporate credit spreads, reported trades and other inputs that are observable or derived from observable information in the marketplace or are supported by transactions executed in the marketplace. Financial assets in this category primarily include: certain publicly registered and privately placed corporate fixed maturity securities; certain government or agency securities; certain mortgage and asset-backed securities; certain equity securities; most investments held by our consolidated VIEs; certain mutual fund investments; most short-term investments; and non-exchange-traded derivatives such as call options. Financial liabilities in this category include investment borrowings, notes payable and borrowings related to VIEs.

- Level 3 – includes assets and liabilities valued using unobservable inputs that are used in model-based valuations that contain management assumptions. Level 3 assets and liabilities include those financial instruments whose fair value is estimated based on broker/dealer quotes, pricing services or internally developed models or methodologies utilizing significant inputs not based on, or corroborated by, readily available market information. Financial assets in this category include certain corporate securities (primarily certain below-investment grade privately placed securities), certain structured securities, mortgage loans, and other less liquid securities. Financial liabilities in this category include our insurance liabilities for interest-sensitive products, which includes embedded derivatives (including embedded derivatives related to our fixed index annuity products and to a modified coinsurance arrangement) since their values include significant unobservable inputs including actuarial assumptions.

At each reporting date, we classify assets and liabilities into the three input levels based on the lowest level of input that is significant to the measurement of fair value for each asset and liability reported at fair value. This classification is impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and overall market conditions. Our assessment of the significance of a particular input to the fair value measurement and the ultimate classification of each asset and liability requires judgment and is subject to change from period to period based on the observability of the valuation inputs. Any transfers between levels are reported as having occurred at the beginning of the period. There were no transfers between Level 1 and Level 2 in both the first six months of 2019 and 2018 .

The vast majority of our fixed maturity and equity securities, including those held in trading portfolios and those held by consolidated VIEs, short-term and separate account assets use Level 2 inputs for the determination of fair value. These fair values are obtained primarily from independent pricing services, which use Level 2 inputs for the determination of fair value. Our Level 2 assets are valued as follows:

- Fixed maturities available for sale, equity securities and trading securities

  Corporate securities are generally priced using market and income approaches. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, issuer rating, benchmark yields, maturity, and credit spreads.

U.S. Treasuries and obligations of U.S. Government corporations and agencies are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets and maturity.

States and political subdivisions are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, new issuances and credit spreads.

Debt securities issued by foreign governments are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, new issuances, benchmark yields, credit spreads and issuer rating.

Asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities, mortgage pass-through securities and collateralized mortgage obligations are generally priced using market and income approaches. Inputs generally consist of quoted prices in inactive markets, spreads on actively traded securities, expected prepayments, expected default rates, expected recovery rates, and issue specific information including, but not limited to, collateral type, seniority and vintage.

Equity securities are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, issuer rating, benchmark yields, maturity, and credit spreads.

- Investments held by VIEs

Corporate securities are generally priced using market and income approaches using pricing vendors. Inputs generally consist of issuer rating, benchmark yields, maturity, and credit spreads.

- Other invested assets - derivatives

The fair value measurements for derivative instruments, including embedded derivatives requiring bifurcation, are determined based on the consideration of several inputs including closing exchange or over-the-counter market price quotes; time value and volatility factors underlying options; market interest rates; and non-performance risk.

Third-party pricing services normally derive security prices through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. If there are no recently reported trades, the third-party pricing services may use matrix or model processes to develop a security price where future cash flow expectations are discounted at an estimated risk-adjusted market rate. The number of prices obtained for a given security is dependent on the Company's analysis of such prices as further described below.

As the Company is responsible for the determination of fair value, we have control processes designed to ensure that the fair values received from third-party pricing sources are reasonable and the valuation techniques and assumptions used appear reasonable and consistent with prevailing market conditions. Additionally, when inputs are provided by third-party pricing sources, we have controls in place to review those inputs for reasonableness. As part of these controls, we perform monthly quantitative and qualitative analysis on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. The Company's analysis includes: (i) a review of the methodology used by third-party pricing services; (ii) where available, a comparison of multiple pricing services' valuations for the same security; (iii) a review of month to month price fluctuations; (iv) a review to ensure valuations are not unreasonably dated; and (v) back testing to compare actual purchase and sale transactions with valuations received from third parties. As a result of such procedures, the Company may conclude a particular price received from a third party is not reflective of current market conditions. In those instances, we may request additional pricing quotes or apply internally developed valuations. However, the number of such instances is insignificant and the aggregate change in value of such investments is not materially different from the original prices received.

The categorization of the fair value measurements of our investments priced by independent pricing services was based upon the Company's judgment of the inputs or methodologies used by the independent pricing services to value different asset

classes. Such inputs typically include: benchmark yields, reported trades, broker dealer quotes, issuer spreads, benchmark securities, bids, offers and other relevant data. The Company categorizes such fair value measurements based upon asset classes and the underlying observable or unobservable inputs used to value such investments.

For securities that are not priced by pricing services and may not be reliably priced using pricing models, we obtain broker quotes. These broker quotes are non-binding and represent an exit price, but assumptions used to establish the fair value may not be observable and therefore represent Level 3 inputs. Approximately 34 percent of our Level 3 fixed maturity securities were valued using unadjusted broker quotes or broker-provided valuation inputs. The remaining Level 3 fixed maturity investments do not have readily determinable market prices and/or observable inputs. For these securities, we use internally developed valuations. Key assumptions used to determine fair value for these securities may include risk premiums, projected performance of underlying collateral and other factors involving significant assumptions which may not be reflective of an active market. For certain investments, we use a matrix or model process to develop a security price where future cash flow expectations are discounted at an estimated market rate. The pricing matrix incorporates term interest rates as well as a spread level based on the issuer's credit rating, other factors relating to the issuer, and the security's maturity. In some instances issuer-specific spread adjustments, which can be positive or negative, are made based upon internal analysis of security specifics such as liquidity, deal size, and time to maturity.

For certain embedded derivatives, we use actuarial assumptions in the determination of fair value which we consider to be Level 3 inputs.

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at June 30, 2019 is as follows (dollars in millions):

	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Fixed maturities, available for sale:				
Corporate securities	$ —	$ 12,403.5	$ 135.9	$ 12,539.4
United States Treasury securities and obligations of United States government corporations and agencies	—	193.4	—	193.4
States and political subdivisions	—	2,130.0	—	2,130.0
Debt securities issued by foreign governments	—	83.7	1.0	84.7
Asset-backed securities	—	2,698.9	12.4	2,711.3
Collateralized debt obligations	—	283.4	—	283.4
Commercial mortgage-backed securities	—	1,743.1	15.9	1,759.0
Mortgage pass-through securities	—	1.4	—	1.4
Collateralized mortgage obligations	—	734.6	—	734.6
Total fixed maturities, available for sale	—	20,272.0	165.2	20,437.2
Equity securities - corporate securities	30.2	.3	8.3	38.8
Trading securities:				
Asset-backed securities	—	90.5	—	90.5
Commercial mortgage-backed securities	—	108.0	—	108.0
Collateralized mortgage obligations	—	49.8	—	49.8
Total trading securities	—	248.3	—	248.3
Investments held by variable interest entities - corporate securities	—	1,215.2	—	1,215.2
Other invested assets - derivatives	—	119.6	—	119.6
Assets held in separate accounts	—	4.9	—	4.9
Total assets carried at fair value by category	$ 30.2	$ 21,860.3	$ 173.5	$ 22,064.0
Liabilities:				
Future policy benefits - embedded derivatives associated with fixed index annuity products	$ —	$ —	$ 1,454.2	$ 1,454.2

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at December 31, 2018 is as follows (dollars in millions):

	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Fixed maturities, available for sale:				
Corporate securities	$ —	$ 11,044.4	$ 158.6	$ 11,203.0
United States Treasury securities and obligations of United States government corporations and agencies	—	174.8	—	174.8
States and political subdivisions	—	1,867.8	—	1,867.8
Debt securities issued by foreign governments	—	58.5	1.0	59.5
Asset-backed securities	—	2,662.8	12.0	2,674.8
Collateralized debt obligations	—	322.8	—	322.8
Commercial mortgage-backed securities	—	1,518.0	—	1,518.0
Mortgage pass-through securities	—	1.6	—	1.6
Collateralized mortgage obligations	—	625.4	—	625.4
Total fixed maturities, available for sale	—	18,276.1	171.6	18,447.7
Equity securities - corporate securities	181.1	100.4	9.5	291.0
Trading securities:				
Asset-backed securities	—	86.5	—	86.5
Commercial mortgage-backed securities	—	93.6	—	93.6
Collateralized mortgage obligations	—	53.0	—	53.0
Total trading securities	—	233.1	—	233.1
Investments held by variable interest entities - corporate securities	—	1,468.4	—	1,468.4
Other invested assets - derivatives	—	26.6	—	26.6
Assets held in separate accounts	—	4.4	—	4.4
Total assets carried at fair value by category	$ 181.1	$ 20,109.0	$ 181.1	$ 20,471.2
Liabilities:				
Future policy benefits - embedded derivatives associated with fixed index annuity products	$ —	$ —	$ 1,289.0	$ 1,289.0

The fair value measurements for our financial instruments disclosed at fair value on a recurring basis are as follows (dollars in millions):

	June 30, 2019				
	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Total carrying amount
Assets:					
Mortgage loans	$ —	$ —	$ 1,680.5	$ 1,680.5	$ 1,596.5
Policy loans	—	—	121.6	121.6	121.6
Other invested assets:					
Company-owned life insurance	—	191.1	—	191.1	191.1
Cash and cash equivalents:					
Unrestricted	557.3	.1	—	557.4	557.4
Held by variable interest entities	50.5	—	—	50.5	50.5
Liabilities:					
Policyholder account balances	—	—	11,758.5	11,758.5	11,758.5
Investment borrowings	—	1,648.6	—	1,648.6	1,645.2
Borrowings related to variable interest entities	—	1,144.1	—	1,144.1	1,153.6
Notes payable – direct corporate obligations	—	1,075.0	—	1,075.0	988.3

	December 31, 2018				
	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Total carrying amount
Assets:					
Mortgage loans	$ —	$ —	$ 1,624.5	$ 1,624.5	$ 1,602.1
Policy loans	—	—	119.7	119.7	119.7
Other invested assets:					
Company-owned life insurance	—	171.7	—	171.7	171.7
Cash and cash equivalents:					
Unrestricted	594.2	—	—	594.2	594.2
Held by variable interest entities	62.4	—	—	62.4	62.4
Liabilities:					
Policyholder account balances	—	—	11,594.1	11,594.1	11,594.1
Investment borrowings	—	1,645.9	—	1,645.9	1,645.8
Borrowings related to variable interest entities	—	1,399.8	—	1,399.8	1,417.2
Notes payable – direct corporate obligations	—	896.3	—	896.3	916.8

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The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the three months ended June 30, 2019 (dollars in millions):

	June 30, 2019							
	Beginning balance as of March 31, 2019	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of June 30, 2019	Amount of total gains (losses) for the three months ended June 30, 2019 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 137.6	$ (9.4)	$ —	$ 2.9	$ 4.8	$ —	$ 135.9	$ —
Debt securities issued by foreign governments	1.0	—	—	—	—	—	1.0	—
Asset-backed securities	12.3	(.2)	—	.3	—	—	12.4	—
Collateralized debt obligations	5.0	—	—	—	—	(5.0)	—	—
Commercial mortgage-backed securities	—	—	—	.7	15.2	—	15.9	—
Total fixed maturities, available for sale	155.9	(9.6)	—	3.9	20.0	(5.0)	165.2	—
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—
Liabilities:								
Future policy benefits - embedded derivatives associated with fixed index annuity products	(1,372.9)	(38.7)	(42.6)	—	—	—	(1,454.2)	(42.6)

(a) Transfers into Level 3 are the result of unobservable inputs utilized within valuation methodologies for assets that were previously valued using observable inputs. Transfers out of Level 3 are due to the use of observable inputs in valuation methodologies as well as the utilization of pricing service information for certain assets that the Company is able to validate.

(b) Purchases, sales, issuances and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases and sales of fixed maturity and equity securities and changes to embedded derivative instruments related to insurance products resulting from the issuance of new contracts, or changes to existing contracts. The following summarizes such activity for the three months ended June 30, 2019 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ —	$ (9.4)	$ —	$ —	$ (9.4)
Asset-backed securities	—	(.2)	—	—	(.2)
Total fixed maturities, available for sale	—	(9.6)	—	—	(9.6)
Liabilities:					
Future policy benefits - embedded derivatives associated with fixed index annuity products	(40.7)	.3	(20.6)	22.3	(38.7)

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The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the six months ended June 30, 2019 (dollars in millions):

	June 30, 2019							
	Beginning balance as of December 31, 2018	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of June 30, 2019	Amount of total gains (losses) for the six months ended June 30, 2019 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 158.6	$ (26.1)	$ (2.8)	$ 6.2	$ —	$ —	$ 135.9	$ (2.2)
Debt securities issued by foreign governments	1.0	—	—	—	—	—	1.0	—
Asset-backed securities	12.0	(.3)	—	.7	—	—	12.4	—
Commercial mortgage-backed securities	—	14.4	—	1.5	—	—	15.9	—
Total fixed maturities, available for sale	171.6	(12.0)	(2.8)	8.4	—	—	165.2	(2.2)
Equity securities - corporate securities	9.5	—	(1.2)	—	—	—	8.3	—
Liabilities:								
Future policy benefits - embedded derivatives associated with fixed index annuity products	(1,289.0)	(87.6)	(77.6)	—	—	—	(1,454.2)	(77.6)

(a) Transfers into Level 3 are the result of unobservable inputs utilized within valuation methodologies for assets that were previously valued using observable inputs. Transfers out of Level 3 are due to the use of observable inputs in valuation methodologies as well as the utilization of pricing service information for certain assets that the Company is able to validate.

(b) Purchases, sales, issuances and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases and sales of fixed maturity and equity securities and changes to embedded derivative instruments related to insurance products resulting from the issuance of new contracts, or changes to existing contracts. The following summarizes such activity for the six months ended June 30, 2019 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ .1	$ (26.2)	$ —	$ —	$ (26.1)
Asset-backed securities	—	(.3)	—	—	(.3)
Commercial mortgage-backed securities	14.4	—	—	—	14.4
Total fixed maturities, available for sale	14.5	(26.5)	—	—	(12.0)
Liabilities:					
Future policy benefits - embedded derivatives associated with fixed index annuity products	(75.7)	1.9	(60.2)	46.4	(87.6)

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The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the three months ended June 30, 2018 (dollars in millions):

	June 30, 2018							
	Beginning balance as of March 31, 2018	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of June 30, 2018	Amount of total gains (losses) for the three months ended June 30, 2018 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 200.1	$ (6.9)	$ .1	$ (.8)	$ 4.4	$ (15.0)	$ 181.9	$ —
Debt securities issued by foreign governments	3.8	—	—	.1	—	—	3.9	—
Asset-backed securities	17.6	5.9	—	(.1)	—	(5.0)	18.4	—
Collateralized debt obligations	15.3	—	—	—	—	(15.3)	—	—
Total fixed maturities, available for sale	236.8	(1.0)	.1	(.8)	4.4	(35.3)	204.2	—
Equity securities - corporate securities	21.4	(10.9)	(1.0)	—	—	—	9.5	—
Liabilities:								
Future policy benefits - embedded derivatives associated with fixed index annuity products	(1,315.4)	(33.9)	16.0	—	—	—	(1,333.3)	16.0

(a) Transfers into Level 3 are the result of unobservable inputs utilized within valuation methodologies for assets that were previously valued using observable inputs. Transfers out of Level 3 are due to the use of observable inputs in valuation methodologies as well as the utilization of pricing service information for certain assets that the Company is able to validate.

(b) Purchases, sales, issuances and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases and sales of fixed maturity and equity securities and changes to embedded derivative instruments related to insurance products resulting from the issuance of new contracts, or changes to existing contracts. The following summarizes such activity for the three months ended June 30, 2018 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ .1	$ (7.0)	$ —	$ —	$ (6.9)
Asset-backed securities	6.0	(.1)	—	—	5.9
Total fixed maturities, available for sale	6.1	(7.1)	—	—	(1.0)
Equity securities - corporate securities	—	(10.9)	—	—	(10.9)
Liabilities:					
Future policy benefits - embedded derivatives associated with fixed index annuity products	(44.1)	3.2	(11.9)	18.9	(33.9)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the six months ended June 30, 2018 (dollars in millions):

	June 30, 2018							
	Beginning balance as of December 31, 2017	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of June 30, 2018	Amount of total gains (losses) for the six months ended June 30, 2018 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 230.4	$ 3.7	$ 1.3	$ (3.2)	$ —	$ (50.3)	$ 181.9	$ —
Debt securities issued by foreign governments	3.9	—	—	—	—	—	3.9	—
Asset-backed securities	24.2	(5.2)	—	(.6)	—	—	18.4	—
Total fixed maturities, available for sale	258.5	(1.5)	1.3	(3.8)	—	(50.3)	204.2	—
Equity securities - corporate securities	21.2	(10.9)	(.8)	—	—	—	9.5	—
Investments held by variable interest entities - corporate securities	4.9	—	—	—	—	(4.9)	—	—
Liabilities:								
Future policy benefits - embedded derivatives associated with fixed index annuity products	(1,334.8)	(51.5)	53.0	—	—	—	(1,333.3)	53.0

(a) Transfers into Level 3 are the result of unobservable inputs utilized within valuation methodologies for assets that were previously valued using observable inputs. Transfers out of Level 3 are due to the use of observable inputs in valuation methodologies as well as the utilization of pricing service information for certain assets that the Company is able to validate.

(b) Purchases, sales, issuances and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases and sales of fixed maturity and equity securities and changes to embedded derivative instruments related to insurance products resulting from the issuance of new contracts, or changes to existing contracts. The following summarizes such activity for the six months ended June 30, 2018 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ 15.6	$ (11.9)	$ —	$ —	$ 3.7
Asset-backed securities	6.0	(11.2)	—	—	(5.2)
Total fixed maturities, available for sale	21.6	(23.1)	—	—	(1.5)
Equity securities - corporate securities	—	(10.9)	—	—	(10.9)
Liabilities:					
Future policy benefits - embedded derivatives associated with fixed index annuity products	(83.3)	6.9	(14.1)	39.0	(51.5)

At June 30, 2019 , 67 percent of our Level 3 fixed maturities, available for sale, were investment grade and 82 percent of our Level 3 fixed maturities, available for sale, consisted of corporate securities.

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses during the time the applicable financial instruments were classified as Level 3.

Realized and unrealized gains (losses) on Level 3 assets are primarily reported in either net investment income for policyholder and other special-purpose portfolios, net realized investment gains (losses) or insurance policy benefits within the consolidated statement of operations or accumulated other comprehensive income within shareholders' equity based on the appropriate accounting treatment for the instrument.

The amount presented for gains (losses) included in our net income for assets and liabilities still held as of the reporting date primarily represents impairments for fixed maturities, available for sale, changes in fair value of trading securities and certain derivatives and changes in fair value of embedded derivative instruments included in liabilities for insurance products that exist as of the reporting date.

The following table provides additional information about the significant unobservable (Level 3) inputs developed internally by the Company to determine fair value for certain assets and liabilities carried at fair value at June 30, 2019 (dollars in millions):

	Fair value at June 30, 2019	Valuation techniques	Unobservable inputs	Range (weighted average)
Assets:				
Corporate securities (a)	$ 91.8	Discounted cash flow analysis	Discount margins	1.30% - 9.69% (3.59%)
Corporate securities (b)	2.5	Recovery method	Percent of recovery expected	35.35%
Asset-backed securities (c)	12.4	Discounted cash flow analysis	Discount margins	2.13%
Equity securities (d)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Other assets categorized as Level 3 (e)	58.5	Unadjusted third-party price source	Not applicable	Not applicable
Total	173.5			
Liabilities:				
Future policy benefits (f)	1,454.2	Discounted projected embedded derivatives	Projected portfolio yields	5.11% - 5.15% (5.11%)
			Discount rates	1.34% - 3.50% (1.99%)
			Surrender rates	1.30% - 37.30% (12.40%)

(a) Corporate securities - The significant unobservable input used in the fair value measurement of our corporate securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would result in a significantly lower (higher) fair value measurement.
(b) Corporate securities - The significant unobservable input used in the fair value measurement of these corporate securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would result in a significantly higher (lower) fair value measurement.
(c) Asset-backed securities - The significant unobservable input used in the fair value measurement of these asset-backed securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would result in a significantly lower (higher) fair value measurement.
(d) Equity securities - The significant unobservable input used in the fair value measurement of these equity securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would result in a significantly higher (lower) fair value measurement.
(e) Other assets categorized as Level 3 - For these assets, there were no adjustments to quoted market prices obtained from third-party pricing sources.
(f) Future policy benefits - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed index annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would lead to a higher (lower) fair value measurement. The discount rate is based on risk free rates (U.S. Treasury rates for similar durations) adjusted for our non-performance risk and risk margins for non-capital market inputs. Increases (decreases) in the discount rates would lead to a lower (higher) fair value measurement. Assumed surrender rates are used to project how long the contracts remain in force. Generally, the longer the contracts are assumed to be in force the higher the fair value of the embedded derivative.

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The following table provides additional information about the significant unobservable (Level 3) inputs developed internally by the Company to determine fair value for certain assets and liabilities carried at fair value at December 31, 2018 (dollars in millions):

	Fair value at December 31, 2018	Valuation techniques	Unobservable inputs	Range (weighted average)
Assets:				
Corporate securities (a)	$ 91.1	Discounted cash flow analysis	Discount margins	1.55% - 9.52% (4.47%)
Corporate securities (b)	4.8	Recovery method	Percent of recovery expected	61.03%
Asset-backed securities (c)	11.9	Discounted cash flow analysis	Discount margins	2.30%
Equity securities (d)	1.2	Market comparables	EBITDA multiples	1.1X
Equity securities (e)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Other assets categorized as Level 3 (f)	63.8	Unadjusted third-party price source	Not applicable	Not applicable
Total	181.1			
Liabilities:				
Future policy benefits (g)	1,289.0	Discounted projected embedded derivatives	Projected portfolio yields	5.11% - 5.15% (5.11%)
			Discount rates	2.20% - 4.02% (2.75%)
			Surrender rates	1.30% - 37.30% (12.40%)

(a) Corporate securities - The significant unobservable input used in the fair value measurement of our corporate securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would result in a significantly lower (higher) fair value measurement.
(b) Corporate securities - The significant unobservable input used in the fair value measurement of these corporate securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would result in a significantly higher (lower) fair value measurement.
(c) Asset-backed securities - The significant unobservable input used in the fair value measurement of these asset-backed securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would result in a significantly lower (higher) fair value measurement.
(d) Equity securities - The significant unobservable input used in the fair value measurement of these equity securities is multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"). Generally, increases (decreases) in EBITDA multiples would result in higher (lower) fair value measurements.
(e) Equity securities - The significant unobservable input used in the fair value measurement of these equity securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would result in a significantly higher (lower) fair value measurement.
(f) Other assets categorized as Level 3 - For these assets, there were no adjustments to quoted market prices obtained from third-party pricing sources.
(g) Future policy benefits - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed index annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would lead to a higher (lower) fair value measurement. The discount rate is based on risk free rates (U.S. Treasury rates for similar durations) adjusted for our non-performance risk and risk margins for non-capital market inputs. Increases (decreases) in the discount rates would lead to a lower (higher) fair value measurement. Assumed surrender rates are used to project how long the contracts remain in force. Generally, the longer the contracts are assumed to be in force the higher the fair value of the embedded derivative.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this section, we review the consolidated financial condition of CNO at June 30, 2019 , and its consolidated results of operations for the six months ended June 30, 2019 and 2018 , and, where appropriate, factors that may affect future financial performance. Please read this discussion in conjunction with the accompanying consolidated financial statements and notes.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Our statements, trend analyses and other information contained in this report and elsewhere (such as in filings by CNO with the SEC, press releases, presentations by CNO or its management or oral statements) relative to markets for CNO's products and trends in CNO'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. The "Risk Factors" section of our 2018 Annual Report on Form 10-K provides examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. 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:

- 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;
- 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;
- general economic, market and political conditions and uncertainties, 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;
- the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject;
- our ability to make anticipated changes to certain non-guaranteed elements of our life insurance products;
- our ability to obtain adequate and timely rate increases on our health products, including our long-term care business;
- the receipt of any required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries;
- mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates, changes in the health care market and other factors which may affect the profitability of our insurance products;
- changes in our assumptions related to deferred acquisition costs or the present value of future profits;
- the recoverability of our deferred tax assets and the effect of potential ownership changes and tax rate changes on their value;
- our assumption that the positions we take on our tax return filings will not be successfully challenged by the Internal Revenue Service;
- changes in accounting principles and the interpretation thereof;

- our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements;
- 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;
- performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges);
- 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;
- our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs;
- changes in capital deployment opportunities;
- our ability to maintain effective controls over financial reporting;
- our ability to continue to recruit and retain productive agents and distribution partners;
- customer response to new products, distribution channels and marketing initiatives;
- our ability to achieve additional upgrades of the financial strength ratings of CNO 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;
- regulatory changes or actions, including: those relating to regulation of the financial affairs of our insurance companies, such as the calculation of risk-based capital and minimum capital requirements, and 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;
- 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;
- availability and effectiveness of reinsurance arrangements, as well as the impact of any defaults or failure of reinsurers to perform;
- the performance of third party service providers and potential difficulties arising from outsourcing arrangements;
- the growth rate of sales, collected premiums, annuity deposits and assets;
- interruption in telecommunication, information technology or other operational systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems;
- events of terrorism, cyber attacks, natural disasters or other catastrophic events, including losses from a disease pandemic;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; and
- the risk factors or uncertainties listed from time to time in our filings with the SEC.

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 written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. 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.

The reporting of risk-based capital ("RBC") measures is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.

OVERVIEW

We are a holding company for a group of insurance companies operating throughout the United States that develop, market and administer health insurance, annuity, individual life insurance and other insurance products. We focus on serving the senior and middle-income markets, which we believe are attractive, underserved, high growth markets. We sell our products through three distribution channels: career agents, independent producers (some of whom sell one or more of our product lines exclusively) and direct marketing.

On September 27, 2018, the Company completed a long-term care reinsurance transaction pursuant to which its wholly-owned subsidiary, Bankers Life, entered into an agreement to cede all of its legacy (prior to 2003) comprehensive and nursing home long-term care policies (with statutory reserves of $2.7 billion) through 100% indemnity coinsurance. In anticipation of the reinsurance agreement, the Company reorganized its business segments to move the block to be ceded from the "Bankers Life segment" to the "Long-term care in run-off segment" in the third quarter of 2018. All prior period segment disclosures have been revised to conform to management's current view of the Company's operating segments.

The Company manages its business through the following operating segments: Bankers Life, Washington National and Colonial Penn, which are defined on the basis of product distribution; long-term care in run off; and corporate operations, comprised of holding company activities and certain noninsurance company businesses.

The Company's insurance segments are described below:

- ***Bankers Life,*** which underwrites, markets and distributes Medicare supplement insurance, interest-sensitive life insurance, traditional life insurance, fixed annuities and long-term care insurance products to the middle-income senior market through a dedicated field force of career agents, financial and investment advisors, and sales managers supported by a network of community-based sales offices. The Bankers Life segment includes primarily the business of Bankers Life. Bankers Life also has various distribution and marketing agreements with other insurance companies to use Bankers Life's career agents to distribute Medicare Advantage and prescription drug plan products in exchange for a fee.

- ***Washington National,*** which underwrites, markets and distributes supplemental health (including specified disease, accident and hospital indemnity insurance products) and life insurance to middle-income consumers at home and at the worksite. These products are marketed through Performance Matters Associates, Inc. ("PMA") and through independent marketing organizations and insurance agencies including worksite marketing. The products being marketed are underwritten by Washington National. This segment's business also includes certain closed blocks of annuities and Medicare supplement policies which are no longer being actively marketed by this segment and were primarily issued or acquired by Washington National.

- ***Colonial Penn*** , which markets primarily graded benefit and simplified issue life insurance directly to customers in the senior middle-income market through television advertising, direct mail, the internet and telemarketing. The Colonial Penn segment includes primarily the business of Colonial Penn.

- ***Long-term care in run-off*** consists of: (i) the long-term care business that was recaptured due to the termination of certain reinsurance agreements effective September 30, 2016 (such business is not actively marketed and was issued or acquired by Washington National and BCLIC); and (ii) certain legacy (prior to 2003) comprehensive and nursing home long-term care policies which were ceded in September 2018 (such business was not actively marketed and was issued by Bankers Life).

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

The following summarizes our earnings for the three and six months ending June 30, 2019 and 2018 (dollars in millions, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Adjusted EBIT (a non-GAAP measure) (a):				
Bankers Life	$ 86.4	$ 90.7	$ 149.5	$ 168.2
Washington National	25.9	25.4	56.4	59.7
Colonial Penn	5.8	5.4	4.4	3.9
Long-term care in run-off	3.2	8.5	5.7	20.5
Adjusted EBIT from business segments	121.3	130.0	216.0	252.3
Corporate operations, excluding corporate interest expense	(12.0)	(14.0)	(11.2)	(29.5)
Adjusted EBIT	109.3	116.0	204.8	222.8
Corporate interest expense	(12.6)	(11.9)	(24.7)	(23.8)
Operating earnings before taxes	96.7	104.1	180.1	199.0
Tax expense on operating income	20.3	22.2	37.9	43.2
Net operating income (a)	76.4	81.9	142.2	155.8
Net realized investment gains (losses) from sales and impairments (net of related amortization)	(1.7)	10.9	(2.4)	11.4
Net change in market value of investments recognized in earnings	6.8	(.3)	23.4	(16.0)
Fair value changes in embedded derivative liabilities (net of related amortization)	(35.9)	8.3	(65.5)	33.4
Fair value changes related to agent deferred compensation plan	(11.6)	11.0	(16.9)	11.0
Loss on extinguishment of debt	(7.3)	—	(7.3)	—
Other	.7	(4.2)	1.9	(.9)
Non-operating income (loss) before taxes	(49.0)	25.7	(66.8)	38.9
Income tax expense (benefit) on non-operating income	(10.2)	5.4	(14.0)	8.2
Net non-operating income (loss)	(38.8)	20.3	(52.8)	30.7
Net income	$ 37.6	$ 102.2	$ 89.4	$ 186.5
Per diluted share:				
Net operating income	$ .48	$ .49	$ .89	$ .92
Net realized investment gains (losses) from sales and impairments (net of related amortization and taxes)	(.01)	.05	(.01)	.05
Net change in market value of investments recognized in earnings (net of taxes)	.04	—	.11	(.07)
Fair value changes in embedded derivative liabilities (net of related amortization and taxes)	(.18)	.04	(.32)	.16
Fair value changes related to agent deferred compensation plan (net of taxes)	(.06)	.05	(.08)	.05
Loss on extinguishment of debt (net of taxes)	(.03)	—	(.04)	—
Valuation allowance for deferred tax assets and other tax items	—	—	—	—
Other	—	(.02)	.01	(.01)
Net income	$ .24	$ .61	$ .56	$ 1.10

(a) Management believes that an analysis of net operating income provides a clearer comparison of the operating results of the Company from period to period because it excludes: (i) net realized investment gains or losses from sales and impairments, net of related amortization and taxes; (ii) net change in market value of investments recognized in earnings, net of taxes; (iii) 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; (iv) fair value changes related to the agent deferred compensation plan, net of taxes; (v) loss on extinguishment of debt, net of taxes; and (vi) other non-operating items consisting primarily of earnings attributable to variable interest entities . Adjusted EBIT is presented as net operating income excluding corporate interest expense and income tax expense. The table above reconciles the non-GAAP measures to the corresponding GAAP measure.

In addition, management uses these non-GAAP financial measures in its budgeting process, financial analysis of segment performance and in assessing the allocation of resources. We believe these non-GAAP financial measures enhance an investor's understanding of our financial performance and allows them to make more informed judgments about the Company as a whole. These measures also highlight operating trends that might not otherwise be apparent. However, Adjusted EBIT and net operating income are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flow from operating activities, as measures of liquidity, or as alternatives to net income as measures of our operating performance or any other measures of performance derived in accordance with GAAP. In addition, Adjusted EBIT and net operating income should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBIT and net operating income have limitations as analytical tools, and you should not consider such measures either in isolation or as substitutes for analyzing our results as reported under GAAP. Our definitions and calculation of Adjusted EBIT and net operating income are not necessarily comparable to other similarly titled measures used by other companies due to different methods of calculation.

CRITICAL ACCOUNTING POLICIES

Refer to "Critical Accounting Policies" in our 2018 Annual Report on Form 10-K for information on our other accounting policies that we consider critical in preparing our consolidated financial statements.

RESULTS OF OPERATIONS

The following tables and narratives summarize the operating results of our segments (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Pre-tax operating earnings (a non-GAAP measure) (a):				
Bankers Life	$ 86.4	$ 90.7	$ 149.5	$ 168.2
Washington National	25.9	25.4	56.4	59.7
Colonial Penn	5.8	5.4	4.4	3.9
Long-term care in run-off	3.2	8.5	5.7	20.5
Corporate operations	(24.6)	(25.9)	(35.9)	(53.3)
	96.7	104.1	180.1	199.0
Net realized investment gains (losses), net of related amortization:				
Bankers Life	7.1	9.1	21.4	2.4
Washington National	6.1	3.2	15.6	(1.4)
Colonial Penn	.4	—	3.3	(.4)
Long-term care in run-off	(2.2)	1.1	(5.3)	1.7
Corporate operations	(6.3)	(2.8)	(14.0)	(6.9)
	5.1	10.6	21.0	(4.6)
Fair value changes in embedded derivative liabilities, net of related amortization:				
Bankers Life	(35.5)	8.2	(64.9)	33.0
Washington National	(.4)	.1	(.6)	.4
	(35.9)	8.3	(65.5)	33.4
Earnings attributable to VIEs:				
Corporate operations	.4	(4.2)	1.4	(.9)
Net revenue pursuant to transition services agreement:				
Corporate operations	.3	—	.5	—
Fair value changes related to agent deferred compensation plan:				
Corporate operations	(11.6)	11.0	(16.9)	11.0
Loss on extinguishment of debt:				
Corporate operations	(7.3)	—	(7.3)	—
Income (loss) before income taxes:				
Bankers Life	58.0	108.0	106.0	203.6
Washington National	31.6	28.7	71.4	58.7
Colonial Penn	6.2	5.4	7.7	3.5
Long-term care in run-off	1.0	9.6	.4	22.2
Corporate operations	(49.1)	(21.9)	(72.2)	(50.1)
Income before income taxes	$ 47.7	$ 129.8	$ 113.3	$ 237.9

(a) These non-GAAP measures as presented in the above table and in the following segment financial data and discussions of segment results exclude net realized investment gains (losses), fair value changes in embedded derivative liabilities, net of related amortization, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, net revenue pursuant to transition services agreement, earnings attributable to VIEs and before income taxes. These are considered non-GAAP financial measures. 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.

These non-GAAP financial measures of "pre-tax operating earnings" differ from "income (loss) before income taxes" as presented in our consolidated statement of operations prepared in accordance with GAAP due to the exclusion of realized investment gains (losses), fair value changes in embedded derivative liabilities, net of related amortization, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, net revenue pursuant to transition services agreement and earnings attributable to VIEs. We measure segment performance excluding these items because we believe that this performance measure is a better indicator of the ongoing businesses and trends in our business. Our primary investment focus is on investment income to support our liabilities for insurance products as opposed to the generation of realized investment gains (losses), and a long-term focus is necessary to maintain profitability over the life of the business. Realized investment gains (losses), fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt and earnings attributable to VIEs depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. However, "pre-tax operating earnings" does not replace "income (loss) before income taxes" as a measure of overall profitability.

We may experience realized investment gains (losses), which may affect future earnings levels since our underlying business is long-term in nature and we need to earn the assumed interest rates on the investments backing our liabilities for insurance products to maintain the profitability of our business. In addition, management uses this non-GAAP financial measure in its budgeting process, financial analysis of segment performance and in assessing the allocation of resources. We believe these non-GAAP financial measures enhance an investor's understanding of our financial performance and allows them to make more informed judgments about the Company as a whole. These measures also highlight operating trends that might not otherwise be apparent. The table above reconciles the non-GAAP measure to the corresponding GAAP measure.

General: CNO is the top tier holding company for a group of insurance companies operating throughout the United States that develop, market and administer health insurance, annuity, individual life insurance and other insurance products. We distribute these products through our Bankers Life segment, which utilizes a career agency force, through our Washington National segment, which utilizes independent producers and through our Colonial Penn segment, which utilizes direct response marketing. We also have a Long-term care in run-off segment that consists of: (i) the long-term care business that was recaptured due to the termination of certain reinsurance agreements effective September 30, 2016 (such business is not actively marketed and was issued or acquired by Washington National and BCLIC); and (ii) certain legacy (prior to 2003) comprehensive and nursing home long-term care policies that were ceded in September 2018 (such business was not actively marketed and was issued by Bankers Life). Beginning in the fourth quarter of 2018, the earnings of this segment only reflect the long-term care business that was recaptured in September 2016 as the legacy long-term care business was ceded under a 100% indemnity coinsurance agreement in September 2018.

Bankers Life (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premium collections:				
Annuities	$ 341.0	$ 287.0	$ 656.3	$ 538.4
Medicare supplement and other supplemental health	247.3	247.9	502.6	508.3
Life	116.9	118.5	230.2	233.7
Total collections	$ 705.2	$ 653.4	$ 1,389.1	$ 1,280.4
Average liabilities for insurance products:				
Fixed index annuities	$ 6,490.2	$ 5,693.6	$ 6,357.5	$ 5,629.1
Fixed interest annuities	2,305.2	2,630.3	2,345.2	2,672.0
SPIAs and supplemental contracts:				
Mortality based	140.9	148.3	142.1	150.4
Deposit based	140.9	144.9	141.5	144.9
Health:				
Long-term care	1,999.0	1,893.5	1,985.7	1,880.8
Medicare supplement	308.5	311.6	312.5	318.1
Other health	62.1	59.5	61.7	59.1
Life:				
Interest sensitive	873.9	821.7	866.1	815.1
Non-interest sensitive	1,216.7	1,151.3	1,209.3	1,143.0
Total average liabilities for insurance products, net of reinsurance ceded	$ 13,537.4	$ 12,854.7	$ 13,421.6	$ 12,812.5
Broker dealer and registered investment advisor client assets:				
Net new client assets (a)				
Brokerage	$ 5.1	$ 3.1	$ 2.1	$ 15.3
Advisory	33.2	49.1	68.9	99.6
Total	$ 38.3	$ 52.2	$ 71.0	$ 114.9
Client assets at end of period (b)				
Brokerage	$ 886.0	$ 813.6		
Advisory	417.0	268.1		
Total	$ 1,303.0	$ 1,081.7		

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Insurance policy income	$ 362.5	$ 366.1	$ 727.7	$ 731.5
Net investment income:				
General account invested assets	204.9	200.7	394.5	397.0
Fixed index products	21.9	12.5	63.1	7.3
Fee revenue and other income	12.7	10.6	38.5	30.2
Total revenues	602.0	589.9	1,223.8	1,166.0
Expenses:				
Insurance policy benefits	290.4	294.3	580.0	596.5
Amounts added to policyholder account balances:				
Cost of interest credited to policyholders	23.6	24.6	47.2	49.5
Cost of options to fund index credits, net of forfeitures	24.6	20.3	49.9	37.4
Market value changes credited to policyholders	22.3	11.2	64.1	6.6
Amortization related to operations	37.2	37.7	83.7	82.1
Interest expense on investment borrowings	8.6	7.5	17.3	13.6
Commission expense and distribution fees	14.7	12.7	40.9	35.0
Other operating costs and expenses	94.2	90.9	191.2	177.1
Total benefits and expenses	515.6	499.2	1,074.3	997.8
Income before net realized investment gains, net of related amortization, and fair value changes in embedded derivative liabilities, net of related amortization, and income taxes	86.4	90.7	149.5	168.2
Net realized investment gains	7.4	9.5	21.9	2.8
Amortization related to net realized investment gains	(.3)	(.4)	(.5)	(.4)
Net realized investment gains, net of related amortization	7.1	9.1	21.4	2.4
Insurance policy benefits - fair value changes in embedded derivative liabilities	(44.6)	10.0	(81.3)	40.1
Amortization related to fair value changes in embedded derivative liabilities	9.1	(1.8)	16.4	(7.1)
Fair value changes in embedded derivative liabilities, net of related amortization	(35.5)	8.2	(64.9)	33.0
Income before income taxes	$ 58.0	$ 108.0	$ 106.0	$ 203.6

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Health benefit ratios:				
All health lines:				
Insurance policy benefits	$ 218.6	$ 216.9	$ 433.7	$ 432.8
Benefit ratio (c)	86.0%	84.6%	85.2%	84.3%
Medicare supplement:				
Insurance policy benefits	$ 141.0	$ 140.6	$ 279.3	$ 281.8
Benefit ratio (c)	74.0%	73.1%	73.1%	73.2%
A 1% change in the quarterly Medicare supplement benefit ratio is approximately equivalent to a $1.9 million change in insurance policy benefits.				
Long-term care:				
Insurance policy benefits	$ 77.6	$ 76.3	$ 154.4	$ 151.0
Benefit ratio (c)	122.1%	119.3%	121.4%	117.8%
Interest-adjusted benefit ratio (d)	77.5%	76.3%	77.4%	75.1%
A 1% change in the quarterly long-term care interest-adjusted benefit ratio is approximately equivalent to a $.6 million change in insurance policy benefits.				

(a) Net new client assets includes total inflows of cash and securities into brokerage and managed advisory accounts less outflows. Inflows include interest and dividends and exclude changes due to market fluctuations.
(b) Client assets include cash and securities in brokerage and managed advisory accounts.
(c) We calculate benefit ratios by dividing the related product's insurance policy benefits by insurance policy income.
(d) We calculate the interest-adjusted benefit ratio (a non-GAAP measure) for Bankers Life's long-term care products by dividing such product's insurance policy benefits less the imputed interest income on the accumulated assets backing the insurance liabilities by policy income. These are considered non-GAAP financial measures. 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.

These non-GAAP financial measures of "interest-adjusted benefit ratios" differ from "benefit ratios" due to the deduction of imputed interest income on the accumulated assets backing the insurance liabilities from the product's insurance policy benefits used to determine the ratio. Interest income is an important factor in measuring the performance of health products that are expected to be inforce for a longer duration of time, are not subject to unilateral changes in provisions (such as non-cancelable or guaranteed renewable contracts) and require the performance of various functions and services (including insurance protection) for an extended period of time. The net cash flows from long-term care products generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases) that 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 benefits 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 (which is equal to the tabular interest on the related insurance liabilities). Since interest income is an important factor in measuring the performance of this product, management believes a benefit ratio that includes the effect of interest income is useful in analyzing product performance. We utilize the interest-adjusted benefit ratio in measuring segment performance because we believe that this performance measure is a better indicator of the ongoing businesses and trends in the business. However, the "interest-adjusted benefit ratio" does not replace the "benefit ratio" as a measure of current period benefits to current period insurance policy income. Accordingly, management reviews both "benefit ratios" and "interest-adjusted benefit ratios" when analyzing the financial results attributable to these products. The imputed investment income earned on the accumulated assets backing Bankers Life's long-term care reserves was $28.4 million and $27.4 million in the three months ended June 30, 2019 and 2018 , respectively and $56.0 million and $54.7 million in the six months ended June 30, 2019 and 2018 , respectively.

Bankers Life is the marketing brand of various affiliated companies of CNO Financial Group including, Bankers Life and Casualty Company, Bankers Life Securities, Inc., and Bankers Life Advisory Services, Inc. Non-affiliated insurance products are offered through Bankers Life General Agency, Inc. (dba BL General Insurance Agency, Inc., AK, AL, CA, NV, PA). Agents who are financial advisors are registered with Bankers Life Securities, Inc.

Securities and variable annuity products and services are offered by Bankers Life Securities, Inc. Member FINRA/SIPC, (dba BL Securities, Inc., AL, GA, IA, IL, MI, NV, PA). Advisory products and services are offered by Bankers Life Advisory Services, Inc. SEC Registered Investment Adviser (dba BL Advisory Services, Inc., AL, GA, IA, MT, NV, PA). Home Office: 111 East Wacker Drive, Suite 1900, Chicago, IL 60601.

Total premium collections were $705.2 million in the second quarter of 2019 , up 7.9 percent from 2018 , and were $1,389.1 million in the first six months of 2019 , up 8.5 percent from 2018 , primarily driven by sales of fixed index annuities. See "Premium Collections" for further analysis of Bankers Life's premium collections.

Average liabilities for insurance products, net of reinsurance ceded were $13.5 billion in the second quarter of 2019 , up 5.3 percent from 2018 , and were $13.4 billion in the first six months of 2019 , up 4.8 percent from 2018 . The increase in average liabilities for insurance products is primarily due to new sales and the amounts added to policyholder account balances on interest-sensitive products.

Broker dealer and registered investment advisor client assets totaled $1,303.0 million and $1,081.7 million at June 30, 2019 and 2018 , respectively, with net inflows of $38.3 million and $52.2 million in the second quarters of 2019 and 2018 , respectively, and $71.0 million and $114.9 million in the first six months of 2019 and 2018 , respectively.

Insurance policy income is comprised of premiums earned on policies which provide mortality or morbidity coverage and fees and other charges assessed on other policies.

Net investment income on general account invested assets (which excludes income on policyholder portfolios) was $204.9 million in the second quarter of 2019 , up 2.1 percent from 2018 , and was $394.5 million in the first six months of 2019 , down .6 percent from 2018 . The second quarter of 2019 reflects higher investment income from alternative investments as well as higher prepayment income (including call premiums); partially offset by lower investment yields, as compared to the second quarter of 2018 . The first six months of 2019 reflects lower investment income from alternative investments compared to the 2018 period as well as lower investment yields; partially offset by higher average investments in this segment. The lower investment income from alternative investments in the first six months of 2019 reflects lower returns from credit, private equity, and equity related strategies that are typically reported a quarter in arrears and reflect the unfavorable financial market conditions that existed in the fourth quarter of 2018. Investment income from alternative investments was $13.4 million and $10.3 million in the second quarters of 2019 and 2018 , respectively, and $16.7 million and $25.7 million in the first six months of 2019 and 2018 , respectively. In addition, prepayment income (including call premiums) was $5.8 million and $2.9 million in the second quarters of 2019 and 2018 , respectively, and $7.3 million and $6.2 million in the first six months of 2019 and 2018 , respectively.

Net investment income related to fixed index products represents the change in the estimated fair value of options which are purchased in an effort to offset or hedge certain potential benefits accruing to the policyholders of our fixed index products. Our fixed index products are designed so that investment income spread is expected to be more than adequate to cover the cost of the options and other costs related to these policies. Net investment income related to fixed index products was $21.9 million and $12.5 million in the second quarters of 2019 and 2018 , respectively, and was $63.1 million and $7.3 million in the first six months of 2019 and 2018 , respectively. Such amounts were substantially offset by the corresponding charge (credit) to ***amounts added to policyholder account balances - market value changes credited to policyholders*** . Such income and related charges fluctuate based on the value of options embedded in the segment's fixed index annuity policyholder account balances subject to this benefit and to the performance of the index to which the returns on such products are linked.

Fee revenue and other income was $12.7 million and $10.6 million in the second quarters of 2019 and 2018 , respectively, and was $38.5 million and $30.2 million in the first six months of 2019 and 2018 , respectively. The increase in the 2019 periods is primarily attributable to fee income earned related to sales of third party products (primarily Medicare Advantage) of other insurance companies.

Insurance policy benefits fluctuated as a result of the factors summarized below for benefit ratios. Benefit ratios are calculated by dividing the related insurance product's insurance policy benefits by insurance policy income.

The Medicare supplement business consists of both individual and group policies. Government regulations generally require us to attain and maintain a ratio of total benefits incurred to total premiums earned (excluding changes in policy benefit reserves), after three years from the original issuance of the policy and over the lifetime of the policy, of not less than 65 percent on individual products and not less than 75 percent on group products, as determined in accordance with statutory accounting principles. Since the insurance product liabilities we establish for Medicare supplement business are subject to significant estimates, the ultimate claim liability we incur for a particular period is likely to be different than our initial estimate. Our benefit ratios were 74.0 percent and 73.1 percent in the second quarters of 2019 and 2018 , respectively, and were 73.1 percent and 73.2 percent in the first six months of 2019 and 2018 , respectively. We continue to expect the Medicare supplement benefit ratio to be in the range of 73 percent to 77 percent during the remainder of 2019.

The net cash flows from our long-term care products 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 typically increases, but the increase in reserves is partially offset by investment income earned on the accumulated assets. The benefit ratio on our long-term care business in the Bankers Life segment was 122.1 percent and 119.3 percent in the second quarters of 2019 and 2018 , respectively, and was 121.4 percent and 117.8 percent in the first six months of 2019 and 2018 , respectively. The interest-adjusted benefit ratio on this business was 77.5 percent and 76.3 percent in the second quarters of 2019 and 2018 , respectively, and was 77.4 percent and 75.1 percent in the first six months of 2019 and 2018 , respectively. The interest-adjusted benefit ratio in the first six months of 2018 was favorably impacted by $.9 million of one-time reserve releases related to policyholder decisions to surrender or reduce coverage following rate increases. The interest-adjusted benefit ratio in the first six months of 2018 , excluding these favorable reserve releases, was 75.8 percent. We continue to expect the long-term care interest-adjusted benefit ratio to be in the range of 74 percent to 79 percent during the remainder of 2019.

Amounts added to policyholder account balances - cost of interest credited to policyholders were $23.6 million and $24.6 million in the second quarters of 2019 and 2018 , respectively, and were $47.2 million and $49.5 million in the first six months of 2019 and 2018 , respectively. The weighted average crediting rate for these products was 2.9 percent and 2.8 percent in the second quarters of 2019 and 2018 , respectively, and was 2.8 percent in both the first six months of 2019 and 2018 . The average liabilities of the fixed interest annuity block were $2.3 billion and $2.7 billion in the first six months of 2019 and 2018 , respectively. The decrease in the liabilities related to these annuities reflects the lower sales of these products in the current low interest rate environment and consumer preference for fixed index products.

Amounts added to policyholder account balances for fixed index products represent a guaranteed minimum rate of return and a higher potential return that is based on a percentage (the "participation rate") of the amount of increase in the value of a particular index, such as the S&P 500 Index, over a specified period. Such amounts include our cost to fund the annual index credits, net of policies that are canceled prior to their anniversary date (classified as ***cost of options to fund index credits, net of forfeitures***). Market value changes in the underlying indices during a specified period of time are classified as ***market value changes credited to policyholders*** . Such market value changes are generally offset by the ***net investment income related to fixed index products*** discussed above.

Amortization related to operations includes amortization of deferred acquisition costs and the present value of future profits. Deferred acquisition costs and the present value of future profits are collectively referred to as "insurance acquisition costs". Insurance acquisition costs are generally amortized either: (i) in relation to the estimated gross profits for interest-sensitive life and annuity products; or (ii) in relation to actual and expected premium revenue for other products. In addition, for interest-sensitive life and annuity products, we are required to adjust the total amortization recorded to date through the statement of operations if actual experience or other evidence suggests that earlier estimates of future gross profits should be revised. Accordingly, amortization for interest-sensitive life and annuity products is dependent on the profits realized during the period and on our expectation of future profits. For other products, we amortize insurance acquisition costs in relation to actual and expected premium revenue, and amortization is only adjusted if expected premium revenue changes or if we determine the balance of these costs is not recoverable from future profits. Bankers Life's amortization expense was $37.2 million and $37.7 million in the second quarters of 2019 and 2018 , respectively, and was $83.7 million and $82.1 million in the first six months of 2019 and 2018 , respectively.

Interest expense on investment borrowings represents interest expense on collateralized borrowings as further described in the note to the consolidated financial statements entitled "Investment Borrowings". The increase in interest expense in the 2019 periods is primarily due to higher interest rates on the variable rate investment borrowings.

Commission expense and distribution fees were higher in the 2019 periods due to higher sales of insurance products, including the sales of third-party Medicare Advantage policies.

Other operating costs and expenses in our Bankers Life segment were $94.2 million in the second quarter of 2019 , up 3.6 percent from 2018 , and were $191.2 million in the first six months of 2019 , up 8.0 percent from 2018 . The increase in other operating expenses in the three and six months ended June 30, 2019 was primarily due to higher expenses related to growth initiatives and other cost impacts related to timing compared to the first half of 2018.

Net realized investment gains (losses) fluctuate from period to period. During the first six months of 2019 , we recognized net realized investment gains of $21.9 million , which were comprised of: (i) $8.4 million of net gains from the sales of investments; (ii) an $8.4 million favorable change in the fair value of equity securities; and (iii) the increase in fair value of certain fixed maturity investments with embedded derivatives of $5.1 million. During the first six months of 2018 , we recognized net realized investment gains of $2.8 million , which were comprised of: (i) $7.9 million of net gains from the sales of investments; (ii) a $4.1 million unfavorable change in the fair value of equity securities; and (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $1.0 million.

Amortization related to net realized investment gains (losses) is the increase or decrease in the amortization of insurance acquisition costs which results from realized investment gains or losses. When we sell securities which back our interest-sensitive life and annuity products at a gain (loss) and reinvest the proceeds at a different yield, we increase (reduce) the amortization of insurance acquisition costs in order to reflect the change in estimated gross profits due to the gains (losses) realized and the resulting effect on estimated future yields. Sales of fixed maturity investments resulted in an increase in the amortization of insurance acquisition costs of $.3 million and $.4 million in the second quarters of 2019 and 2018 , respectively, and $.5 million and $.4 million in the first six months of 2019 and 2018 , respectively.

Insurance policy benefits - fair value changes in embedded derivative liabilities represents fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities. Over the life of an annuity policy, the fair value changes in the embedded derivative related to such policy are classified as non-operating earnings and will net to zero. These changes solely reflect fluctuations in the discount rate used to determine the embedded derivative liability and do not reflect the actual costs of the options purchased to support the benefits accruing to the fixed index annuity.

Amortization related to fair value changes in embedded derivative liabilities is the increase or decrease in the amortization of insurance acquisition costs which results from changes in interest rates used to discount embedded derivative liabilities related to our fixed index annuities.

Washington National (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premium collections:				
Supplemental health and other health	$ 157.3	$ 152.5	$ 314.3	$ 308.2
Medicare supplement	10.1	11.5	20.7	24.0
Life	9.3	8.4	18.1	16.0
Annuity	.2	.4	.6	.8
Total collections	$ 176.9	$ 172.8	$ 353.7	$ 349.0
Average liabilities for insurance products:				
Fixed index annuities	$ 256.7	$ 286.5	$ 259.9	$ 290.9
Fixed interest annuities	82.9	91.4	84.1	92.6
SPIAs and supplemental contracts:				
Mortality based	214.2	221.2	213.7	224.0
Deposit based	272.3	270.3	271.7	270.1
Separate Accounts	4.9	4.8	4.8	4.8
Health:				
Supplemental health	2,989.1	2,849.8	2,971.7	2,832.3
Medicare supplement	17.8	21.0	18.4	21.5
Other health	10.2	11.9	10.5	12.2
Life:				
Interest sensitive	149.0	149.4	148.4	149.5
Non-interest sensitive	160.4	166.9	160.5	170.6
Total average liabilities for insurance products, net of reinsurance ceded	$ 4,157.5	$ 4,073.2	$ 4,143.7	$ 4,068.5
Revenues:				
Insurance policy income	$ 174.7	$ 171.0	$ 348.5	$ 342.0
Net investment income:				
General account invested assets	64.3	63.4	127.9	128.8
Fixed index products	.5	.9	2.1	.5
Trading account income related to policyholder accounts	—	(.2)	—	.2
Fee revenue and other income	3.3	.3	3.5	.5
Total revenues	242.8	235.4	482.0	472.0
Expenses:				
Insurance policy benefits	138.4	136.7	272.9	270.8
Amounts added to policyholder account balances:				
Cost of interest credited to policyholders	3.2	3.2	6.5	6.3
Cost of options to fund index credits, net of forfeitures	1.0	1.3	2.3	2.2
Market value changes credited to policyholders	.7	1.3	2.5	.9
Amortization related to operations	14.9	14.4	29.7	28.9
Interest expense on investment borrowings	3.3	2.7	6.6	4.8
Commission expense	21.5	18.7	42.6	36.5
Other operating costs and expenses	33.9	31.7	62.5	61.9
Total benefits and expenses	216.9	210.0	425.6	412.3
Income before net realized investment gains (losses) and fair value changes in embedded derivative liabilities, net of related amortization, and income taxes	25.9	25.4	56.4	59.7
Net realized investment gains (losses)	6.0	3.2	15.5	(1.4)
Amortization related to net realized investment gains (losses)	.1	—	.1	—
Net realized investment gains (losses), net of related amortization	6.1	3.2	15.6	(1.4)
Insurance policy benefits - fair value changes in embedded derivative liabilities	(1.0)	.4	(1.7)	1.2
Amortization related to fair value changes in embedded derivative liabilities	.6	(.3)	1.1	(.8)
Fair value changes in embedded derivative liabilities, net of related amortization	(.4)	.1	(.6)	.4

Income before income taxes	$ 31.6	$ 28.7	$ 71.4	$ 58.7

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Health benefit ratios:				
Supplemental health and other:				
Insurance policy benefits	$ 125.7	$ 122.6	$ 246.4	$ 241.1
Benefit ratio (a)	80.2%	80.7%	78.9%	79.5%
Interest-adjusted benefit ratio (b)	56.2%	56.6%	54.8%	55.5%
A 1% change in the quarterly interest-adjusted benefit ratio is approximately equivalent to a $1.6 million change in insurance policy benefits.				
Medicare supplement:				
Insurance policy benefits	$ 7.2	$ 8.9	$ 14.3	$ 17.3
Benefit ratio (a)	69.8%	74.0%	67.8%	70.2%

(a) We calculate benefit ratios by dividing the related product's insurance policy benefits by insurance policy income.

(b) We calculate the interest-adjusted benefit ratio (a non-GAAP measure) for Washington National's supplemental health products by dividing such product's insurance policy benefits less the imputed interest income on the accumulated assets backing the insurance liabilities by policy income. These are considered non-GAAP financial measures. 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.

These non-GAAP financial measures of "interest-adjusted benefit ratios" differ from "benefit ratios" due to the deduction of imputed interest income on the accumulated assets backing the insurance liabilities from the product's insurance policy benefits used to determine the ratio. Interest income is an important factor in measuring the performance of health products that are expected to be inforce for a longer duration of time, are not subject to unilateral changes in provisions (such as non-cancelable or guaranteed renewable contracts) and require the performance of various functions and services (including insurance protection) for an extended period of time. The net cash flows from supplemental health products generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases) that 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 benefits 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 (which is equal to the tabular interest on the related insurance liabilities). Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio that includes the effect of interest income is useful in analyzing product performance. We utilize the interest-adjusted benefit ratio in measuring segment performance because we believe that this performance measure is a better indicator of the ongoing businesses and trends in the business. However, the "interest-adjusted benefit ratio" does not replace the "benefit ratio" as a measure of current period benefits to current period insurance policy income. Accordingly, management reviews both "benefit ratios" and "interest-adjusted benefit ratios" when analyzing the financial results attributable to these products. The imputed investment income earned on the accumulated assets backing the supplemental health reserves was $37.7 million and $36.6 million in the three months ended June 30, 2019 and 2018 , respectively, and was $75.2 million and $72.8 million in the first six months of 2019 and 2018 , respectively.

Total premium collections were $176.9 million in the second quarter of 2019 , up 2.4 percent from 2018 , and were $353.7 million in the first six months of 2019 , up 1.3 percent from 2018 , driven by sales and persistency of the segment's supplemental health block; partially offset by lower Medicare supplement collected premiums due to the run-off of this block of business. This segment no longer markets Medicare supplement products and no longer actively pursues sales of annuity products. See "Premium Collections" for further analysis of fluctuations in premiums collected by product.

Average liabilities for insurance products, net of reinsurance ceded were $4.2 billion in the second quarter of 2019 , up 2.1 percent from 2018 , and were $4.1 billion in the first six months of 2019 , up 1.8 percent from 2018 , reflecting an increase in the supplemental health block; partially offset by the run-off of the annuity blocks.

Insurance policy income is comprised of premiums earned on traditional insurance policies which provide mortality or morbidity coverage and fees and other charges assessed on other policies. Such income has increased in recent periods as supplemental health premiums have increased consistent with sales; partially offset by the decrease in Medicare supplement premiums.

Net investment income on general account invested assets (which excludes income on policyholder portfolios) was $64.3 million in the second quarter of 2019 , up 1.4 percent from 2018 , and was $127.9 million in the first six months of 2019 , down .7 percent from 2018 . The second quarter of 2019 reflects higher investment income from alternative investments; partially offset by lower investment yields, as compared to the second quarter of 2018 . The first six months of 2019 reflects lower investment income from alternative investments as well as lower investment yields, as compared to the same period in 2018 . Alternative investments are typically reported a quarter in arrears and the investment income from alternative investments in the first six months of 2019 reflects the unfavorable financial market conditions that existed in the fourth quarter of 2018. Investment income from alternative investments was $3.6 million and $1.8 million in the second quarters of 2019 and 2018 , respectively, and $5.7 million and $6.0 million in the first six months of 2019 and 2018 , respectively.

Net investment income related to fixed index products represents the change in the estimated fair value of options which are purchased in an effort to offset or hedge certain potential benefits accruing to the policyholders of our fixed index products. Our fixed index products are designed so that investment income spread is expected to be more than adequate to cover the cost of the options and other costs related to these policies. Net investment income related to fixed index products was $.5 million and $.9 million in the second quarters of 2019 and 2018 , respectively, and was $2.1 million and $.5 million in the first six months of 2019 and 2018 , respectively. Such amounts were substantially offset by the corresponding charge to ***amounts added to policyholder account balances - market value changes credited to policyholders*** . Such income and related charges fluctuate based on the value of options embedded in the segment's fixed index annuity policyholder account balances subject to this benefit and to the performance of the index to which the returns on such products are linked.

Fee revenue and other income increased in the 2019 periods due to the fee income recognized by WBD subsequent to its acquisition as further described in the note to the consolidated financial statements entitled "Acquisition of Web Benefits Design Corporation".

Insurance policy benefits fluctuated as a result of the factors summarized below. Benefit ratios are calculated by dividing the related insurance product's insurance policy benefits by insurance policy income.

Washington National's supplemental health products (including specified disease, accident and hospital indemnity products) generally provide fixed or limited benefits. For example, payments under cancer insurance policies are generally made directly to, or at the direction of, the policyholder following diagnosis of, or treatment for, a covered type of cancer. Approximately three-fourths of our supplemental health policies inforce (based on policy count) are sold with return of premium or cash value riders. The return of premium rider generally provides that after a policy has been inforce for a specified number of years or upon the policyholder reaching a specified age, we will pay to the policyholder, or a beneficiary under the policy, the aggregate amount of all premiums paid under the policy, without interest, less the aggregate amount of all claims incurred under the policy. The cash value rider is similar to the return of premium rider, but also provides for payment of a graded portion of the return of premium benefit if the policy terminates before the return of premium benefit is earned. Accordingly, the net cash flows from these products generally result in the accumulation of amounts in the early years of a policy (reflected in our earnings as reserve increases) which will be paid out as benefits in later policy years (reflected in our earnings as reserve decreases which offset the recording of benefit payments). As the policies age, the benefit ratio will typically increase, but the increase in benefits will be partially offset by investment income earned on the accumulated assets. The benefit ratio will fluctuate depending on the claim experience during the year.

Insurance margins (insurance policy income less insurance policy benefits) on supplemental health products were $31.0 million and $29.2 million in the second quarters of 2019 and 2018 , respectively, and were $65.9 million and $62.0 million in the first six months of 2019 and 2018 , respectively. The increase in margin on this block of business reflects the growth in the block and lower claims experience. The interest-adjusted benefit ratio on this supplemental health business was 56.2 percent

and 56.6 percent in the second quarters of 2019 and 2018 , respectively, and was 54.8 percent and 55.5 percent in the first six months of 2019 and 2018 , respectively. We continue to expect the supplemental health interest-adjusted benefit ratio to be in the range of 55 percent to 58 percent during the remainder of 2019.

Washington National's Medicare supplement business primarily consists of individual policies. The insurance product liabilities we establish for our Medicare supplement business are subject to significant estimates and the ultimate claim liability we incur for a particular period is likely to be different than our initial estimate. Governmental regulations generally require us to attain and maintain a ratio of total benefits incurred to total premiums earned (excluding changes in policy benefit reserves), after three years from the original issuance of the policy and over the lifetime of the policy, of not less than 65 percent on these products, as determined in accordance with statutory accounting principles. Insurance margins (insurance policy income less insurance policy benefits) on these products were $3.1 million and $3.2 million in the second quarters of 2019 and 2018 , respectively, and were $6.8 million and $7.4 million in the first six months of 2019 and 2018 , respectively. Such decrease reflects the run-off of this block of business.

Amounts added to policyholder account balances - cost of interest credited to policyholders were $3.2 million in both the second quarters of 2019 and 2018 , and were $6.5 million and $6.3 million in the first six months of 2019 and 2018 , respectively.

Amounts added to policyholder account balances for fixed index products represent a guaranteed minimum rate of return and a higher potential return that is based on a percentage (the "participation rate") of the amount of increase in the value of a particular index, such as the S&P 500 Index, over a specified period. Such amounts include our cost to fund the annual index credits, net of policies that are canceled prior to their anniversary date (classified as ***cost of options to fund index credits, net of forfeitures***). Market value changes in the underlying indices during a specified period of time are classified as ***market value changes credited to policyholders*** . Such market value changes are generally offset by the ***net investment income related to fixed index products*** discussed above.

Amortization related to operations includes amortization of insurance acquisition costs. Insurance acquisition costs are generally amortized in relation to actual and expected premium revenue, and amortization is only adjusted if expected premium revenue changes or if we determine the balance of these costs is not recoverable from future profits. Such amounts were generally consistent with the related premium revenue. A revision to our current assumptions could result in increases or decreases to amortization expense in future periods. Washington National's amortization expense was $14.9 million and $14.4 million in the second quarters of 2019 and 2018 , respectively, and was $29.7 million and $28.9 million in the first six months of 2019 and 2018 , respectively.

Interest expense on investment borrowings represents interest expense on collateralized borrowings as further described in the note to the consolidated financial statements entitled "Investment Borrowings". The increase in interest expense in the 2019 periods is due to higher interest rates on the variable rate investment borrowings.

Commission expense was $21.5 million in the second quarter of 2019 , up 15 percent from 2018 , and was $42.6 million in the first six months of 2019 , up 17 percent from 2018 .

Other operating costs and expenses were $33.9 million in the second quarter of 2019 , up 6.9 percent from 2018, and were $62.5 million in the first six months of 2019 , up 1.0 percent from 2018. The increase in other operating costs and expenses is primarily due to the expenses recognized by WBD subsequent to its acquisition as further described in the note to the consolidated financial statements entitled "Acquisition of Web Benefits Design Corporation".

Net realized investment gains (losses) fluctuate from period to period. During the first six months of 2019 , we recognized net realized investment gains of $15.5 million , which were comprised of: (i) $6.7 million of net gains from the sales of investments; (ii) a $1.5 million favorable change in the fair value of equity securities; (iii) an increase in fair value of certain fixed maturity investments with embedded derivatives of $2.4 million; and (iv) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $4.9 million. During the first six months of 2018 , we recognized net realized investment losses of $1.4 million , which were comprised of: (i) $4.7 million of net gains from the sales of investments; (ii) a $1.8 million unfavorable change in the fair value of equity securities; (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $.1 million; and (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of $4.2 million.

Amortization related to net realized investment gains (losses) is the increase or decrease in the amortization of insurance acquisition costs which results from realized investment gains or losses. When we sell securities which back our interest-sensitive life and annuity products at a gain (loss) and reinvest the proceeds at a different yield (or when we have the intent to sell the impaired investments before an anticipated recovery in value occurs), we increase (reduce) the amortization of insurance acquisition costs in order to reflect the change in estimated gross profits due to the gains (losses) realized and the resulting effect on estimated future yields.

Insurance policy benefits - fair value changes in embedded derivative liabilities represents fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities. Over the life of an annuity policy, the fair value changes in the embedded derivative related to such policy are classified as non-operating earnings and will net to zero. These changes solely reflect fluctuations in the discount rate used to determine the embedded derivative liability and do not reflect the actual costs of the options purchased to support the benefits accruing to the fixed index annuity.

Amortization related to fair value changes in embedded derivative liabilities is the increase or decrease in the amortization of insurance acquisition costs which results from changes in interest rates used to discount embedded derivative liabilities related to our fixed index annuities.

Colonial Penn (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premium collections:				
Life	$ 76.3	$ 73.4	$ 153.1	$ 148.2
Supplemental health	.4	.4	.8	.9
Total collections	$ 76.7	$ 73.8	$ 153.9	$ 149.1
Average liabilities for insurance products:				
SPIAs - mortality based	$ 68.9	$ 70.1	$ 68.3	$ 71.0
Health:				
Medicare supplement	4.2	5.1	4.3	5.2
Other health	3.3	3.8	3.4	3.8
Life:				
Interest sensitive	12.1	15.0	12.3	15.1
Non-interest sensitive	751.6	736.0	754.3	734.4
Total average liabilities for insurance products, net of reinsurance ceded	$ 840.1	$ 830.0	$ 842.6	$ 829.5
Revenues:				
Insurance policy income	$ 77.6	$ 74.5	$ 154.3	$ 148.6
Net investment income on general account invested assets	10.8	11.3	21.5	22.3
Fee revenue and other income	.4	.4	.9	.9
Total revenues	88.8	86.2	176.7	171.8
Expenses:				
Insurance policy benefits	52.3	50.5	108.4	107.0
Amounts added to annuity and interest-sensitive life product account balances	.2	.1	.3	.3
Amortization related to operations	3.6	4.1	8.1	8.7
Interest expense on investment borrowings	.4	.4	.8	.7
Commission expense	.4	.3	.7	.6
Other operating costs and expenses	26.1	25.4	54.0	50.6
Total benefits and expenses	83.0	80.8	172.3	167.9
Loss before net realized investment losses and income taxes	5.8	5.4	4.4	3.9
Net realized investment gains (losses)	.4	—	3.3	(.4)
Income before income taxes	$ 6.2	$ 5.4	$ 7.7	$ 3.5

This segment's results are significantly impacted by the accounting standard related to deferred acquisition costs. We are not able to defer most of Colonial Penn's direct response advertising costs although such costs generate predictable sales and future in-force profits. We plan to continue to invest in this segment's business, including the development of new products and markets. The amount of our investment in new business during a particular period will have a significant impact on this segment's results. We continue to expect this segment to report earnings (before net realized investment gains (losses) and income taxes) in 2019 in the range of $12 million to $20 million.

Total premium collections were $76.7 million in the second quarter of 2019 , up 3.9 percent from 2018 , and were $153.9 million in the first six months of 2019 , up 3.2 percent from 2018 . The increase was driven by recent sales activity and steady persistency. See "Premium Collections" for further analysis of Colonial Penn's premium collections.

Average liabilities for insurance products, net of reinsurance ceded have increased as a result of growth in the core graded benefit and simplified issue life insurance block in this segment.

Insurance policy income is comprised of premiums earned on policies which provide mortality or morbidity coverage and fees and other charges assessed on other policies. The increase in such income reflects the growth in the block of graded benefit and simplified issue life insurance business.

Net investment income on general account invested assets in the 2019 periods was down slightly compared to the corresponding periods in 2018.

Insurance policy benefits in the 2019 periods reflect the growth in this segment. In addition, insurance policy benefits in the first quarter of 2018 reflected a $1.1 million out-of-period adjustment which increased reserves on a closed block of payout annuities.

Amortization related to operations includes amortization of insurance acquisition costs. Insurance acquisition costs in the Colonial Penn segment are amortized in relation to actual and expected premium revenue, and amortization is only adjusted if expected premium revenue changes or if we determine the balance of these costs is not recoverable from future profits. Such amounts were generally consistent with the related premium revenue and gross profits for such periods and the assumptions we made when we established the present value of future profits. A revision to our current assumptions could result in increases or decreases to amortization expense in future periods.

Other operating costs and expenses in our Colonial Penn segment fluctuate primarily due to changes in the marketing expenses incurred to generate new business. Marketing expenses were higher in the 2019 periods as compared to the corresponding periods in 2018. The demand and cost of television advertising appropriate for Colonial Penn's campaigns has fluctuated widely in certain periods. We are disciplined with our marketing expenditures and will increase or decrease our advertising spend depending on prices.

Net realized investment gains (losses) fluctuate from period to period. During the first six months of 2019 , we recognized net realized investment gains of $3.3 million , which were comprised of: (i) $2.9 million of net gains from the sales of investments; (ii) a $.2 million favorable change in the fair value of equity securities; and (iii) the increase in fair value of certain fixed maturity investments with embedded derivatives of $.2 million. During the first six months of 2018 , we recognized net realized investment losses of $.4 million , which were comprised of: (i) $.2 million of net losses from the sales of investments; and (ii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $.2 million.

Management believes that an analysis of Adjusted EBIT for Colonial Penn, separated between in-force and new business, provides increased clarity for this segment as the vast majority of the costs to generate new business in this segment are not deferrable and Adjusted EBIT will fluctuate based on management's decisions on how much marketing costs to incur in each period. Adjusted 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. Adjusted 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.

Recognizing the accounting standard that requires us to expense certain direct response advertising costs (rather than deferring such costs as deferred acquisition costs), the amount of our investment in new business in the Colonial Penn segment during a particular period will have a significant impact on the segment results. The following summarizes our earnings, separated between in-force and new business for Colonial Penn (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Adjusted EBIT from In-Force Business				
Revenues:				
Insurance policy income	$ 64.3	$ 62.9	$ 128.3	$ 125.4
Net investment income and other	11.2	11.7	22.4	23.2
Total revenues	75.5	74.6	150.7	148.6
Benefits and expenses:				
Insurance policy benefits	44.1	43.5	92.3	93.2
Amortization	3.2	4.0	7.3	8.4
Other expenses	8.5	9.0	17.2	17.8
Total benefits and expenses	55.8	56.5	116.8	119.4
Adjusted EBIT from In-Force Business	$ 19.7	$ 18.1	$ 33.9	$ 29.2
Adjusted EBIT from New Business				
Revenues:				
Insurance policy income	$ 13.3	$ 11.6	$ 26.0	$ 23.2
Net investment income and other	—	—	—	—
Total revenues	13.3	11.6	26.0	23.2
Benefits and expenses:				
Insurance policy benefits	8.4	7.1	16.4	14.1
Amortization	.4	.1	.8	.3
Other expenses	18.4	17.1	38.3	34.1
Total benefits and expenses	27.2	24.3	55.5	48.5
Adjusted EBIT from New Business	$ (13.9)	$ (12.7)	$ (29.5)	$ (25.3)
Adjusted EBIT from In-Force and New Business				
Revenues:				
Insurance policy income	$ 77.6	$ 74.5	$ 154.3	$ 148.6
Net investment income and other	11.2	11.7	22.4	23.2
Total revenues	88.8	86.2	176.7	171.8
Benefits and expenses:				
Insurance policy benefits	52.5	50.6	108.7	107.3
Amortization	3.6	4.1	8.1	8.7
Other expenses	26.9	26.1	55.5	51.9
Total benefits and expenses	83.0	80.8	172.3	167.9
Adjusted EBIT from In-Force and New Business	$ 5.8	$ 5.4	$ 4.4	$ 3.9

The **Adjusted EBIT from in-force business in the Colonial Penn segment** increased in the first six months of 2019 , as compared to the same period in 2018, reflecting growth in the block. In addition, the first quarter of 2018 included a $1.1 million out-of-period adjustment which increased reserves on a closed block of payout annuities. The **Adjusted EBIT from new business in the Colonial Penn segment** in the 2019 periods primarily reflects higher marketing costs. The vast majority

of the costs to generate new business in this segment are not deferrable and Adjusted EBIT will fluctuate based on management's decisions on how much marketing costs to incur in each period.

Long-term care in run-off (dollars in millions)

The long-term care in run-off segment consists of: (i) the long-term care business that was recaptured due to the termination of certain reinsurance agreements effective September 30, 2016 (such business is not actively marketed and was issued or acquired by Washington National and BCLIC); and (ii) certain legacy (prior to 2003) comprehensive and nursing home long-term care policies ceded to Wilton Reassurance Company ("Wilton Re") in September 2018 (such business was not actively marketed and was issued by Bankers Life). Beginning in the fourth quarter of 2018, the earnings of this segment only reflects the long-term care business that was recaptured in September 2016 as the legacy long-term care business was ceded under a 100% indemnity coinsurance agreement in September 2018. We expect this segment to report normalized earnings before net realized investment gains (losses) of approximately breakeven over the long-term. However, this segment's quarterly results can be volatile.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premium collections:				
Long-term care (all renewal)	$ 3.4	$ 47.6	$ 7.0	$ 97.2
Average liabilities for insurance products:				
Average liabilities for long-term care products	$ 563.0	$ 3,599.3	$ 551.6	$ 3,674.8
Revenues:				
Insurance policy income	$ 3.5	$ 48.2	$ 7.1	$ 97.6
Net investment income on general account invested assets	8.4	54.9	16.6	110.1
Total revenues	11.9	103.1	23.7	207.7
Expenses:				
Insurance policy benefits	8.1	85.1	16.8	168.6
Amortization	—	2.3	—	4.9
Commission expense	.1	.4	.2	.8
Other operating costs and expenses	.5	6.8	1.0	12.9
Total benefits and expenses	8.7	94.6	18.0	187.2
Income before net realized investment gains (losses) and income taxes	3.2	8.5	5.7	20.5
Net realized investment gains (losses)	(2.2)	1.1	(5.3)	1.7
Income (loss) before income taxes	$ 1.0	$ 9.6	$ .4	$ 22.2

Average liabilities for long-term care products decreased as a result of the legacy long-term care business which was ceded under a 100% indemnity coinsurance agreement in September 2018.

Net realized investment gains (losses) fluctuate from period to period. During the first six months of 2019 , we recognized net realized investment losses of $5.3 million , which were comprised of: (i) $3.7 million of net losses from the sales of investments; (ii) a $.6 million favorable change in the fair value of equity securities; and (iii) $2.2 million of writedowns of investments for other than temporary declines in fair value recognized through earnings. During the first six months of 2018 , we recognized net realized investment gains of $1.7 million , which were comprised of: (i) $2.2 million of net gains from the sales of investments; (ii) a $.3 million unfavorable change in the fair value of equity securities; and (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $.2 million.

Corporate Operations (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Corporate operations:				
Interest expense on corporate debt	$ (12.6)	$ (11.9)	$ (24.7)	$ (23.8)
Net investment income (loss):				
General investment portfolio	.8	1.3	2.3	3.5
Other special-purpose portfolios:				
COLI	3.2	(.9)	15.8	(4.0)
Investments held in a rabbi trust	1.3	.8	4.9	.6
Other trading account activities	2.3	2.8	6.3	5.1
Fee revenue and other income	1.5	1.5	3.1	3.3
Other operating costs and expenses	(21.1)	(19.5)	(43.6)	(38.0)
Loss before net realized investment gains (losses), earnings attributable to VIEs and income taxes	(24.6)	(25.9)	(35.9)	(53.3)
Net realized investment gains (losses)	(6.3)	(2.8)	(14.0)	(6.9)
Earnings attributable to VIEs	.4	(4.2)	1.4	(.9)
Fair value changes related to agent deferred compensation plan	(11.6)	11.0	(16.9)	11.0
Net revenue pursuant to transition services agreement	.3	—	.5	—
Loss on extinguishment of debt	(7.3)	—	(7.3)	—
Loss before income taxes	$ (49.1)	$ (21.9)	$ (72.2)	$ (50.1)

Interest expense on corporate debt was $12.6 million and $11.9 million in the second quarters of 2019 and 2018 , respectively, and was $24.7 million and $23.8 million in the first six months of 2019 and 2018 , respectively. Our average corporate debt outstanding was $933.0 million and $925.0 million in the first six months of 2019 and 2018 , respectively. The average interest rate on our debt was 4.9 percent and 4.8 percent in the first six months of 2019 and 2018 , respectively. Average corporate debt outstanding and the average interest rate were impacted by the debt refinancing transaction completed in June 2019 (as further discussed in the note to the consolidated financial statements entitled "Notes Payable - Direct Corporate Obligations") along with the mix of interest rates on the related outstanding borrowings.

Net investment income on general investment portfolio fluctuates based on the amount and type of invested assets in the corporate operations segment.

Net investment income on other special-purpose portfolios includes the income (loss) from: (i) investments related to deferred compensation plans held in a rabbi trust (which is offset by amounts included in ***other operating costs and expenses*** as the investment results are allocated to participants' account balances); (ii) trading account activities; and (iii) income (loss) from COLI equal to the difference between the return on these investments (representing the change in value of the underlying investments) and our overall portfolio yield. COLI is utilized as an investment vehicle to fund Bankers Life's agent deferred compensation plan. For segment reporting, the Bankers Life segment is allocated a return on these investments equivalent to the yield on the Company’s overall portfolio, with any difference in the actual COLI return allocated to the Corporate operations segment.

Fee revenue and other income includes the fees our wholly-owned investment advisor earns for managing portfolios of commercial bank loans for investment trusts. These trusts are consolidated as VIEs in our consolidated financial statements, but the fees are reflected as revenues and the fee expense is reflected in the earnings attributable to VIEs.

Other operating costs and expenses include general corporate expenses, net of amounts charged to subsidiaries for services provided by the corporate operations. These amounts fluctuate as a result of expenses such as legal and consulting costs which often vary from period to period and were higher in the 2019 periods, as compared to the same periods in 2018 .

Net realized investment gains (losses) fluctuate from period to period. During the first six months of 2019 , net realized investment losses in this segment were $14.0 million and were comprised of: (i) a $.1 million favorable change in the fair value of equity securities (none of which was recognized by the VIEs); (ii) $9.0 million of net losses from the sales of investments (including $9.4 million of net losses recognized by the VIEs and $.4 million of net gains on other investment sales); and (iii) $5.1 million of losses related to the dissolution of a VIE. During the first six months of 2018 , net realized investment losses in this segment were $6.9 million and were comprised of: (i) a $4.1 million unfavorable change in the fair value of equity securities (none of which was recognized by the VIEs); and (ii) $2.8 million of net losses from the sales of investments (including $2.9 million of net losses recognized by the VIEs and $.1 million of net gains on other investment sales).

Earnings attributable to VIEs include the earnings in certain VIEs that we are required to consolidate, net of affiliated amounts. Such earnings are not indicative of, and are unrelated to, the Company's underlying fundamentals.

Fair value changes related to agent deferred compensation plan relates to changes in the underlying actuarial assumptions used to value liabilities for our agent deferred compensation plan.

Net revenue pursuant to transition services agreement represents the difference between the fees we receive from Wilton Re and the overhead costs incurred to provide such services under the agreement in connection with the completion of a long-term care reinsurance transaction in September 2018.

Loss on extinguishment of debt in the second quarter of 2019 of $7.3 million consisted of: (i) a premium of $6.1 million due to the redemption of the 2020 Notes; and (ii) $1.2 million related to the write-off of unamortized issuance costs due to the redemption of the 2020 Notes.

PREMIUM COLLECTIONS

In accordance with GAAP, insurance policy income in our consolidated statement of operations consists of premiums earned for traditional insurance policies that have life contingencies or morbidity features. For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to insurance liabilities. We recognize revenues for these products over time in the form of investment income and surrender or other charges.

Our insurance segments sell products through three primary distribution channels - career agents (our Bankers Life segment), direct marketing (our Colonial Penn segment) and independent producers (our Washington National segment). Our career agency force in the Bankers Life segment sells primarily Medicare supplement and long-term care insurance policies, life insurance and annuities. These agents visit the customer's home, which permits one-on-one contact with potential policyholders and promotes strong personal relationships with existing policyholders. Our direct marketing distribution channel in the Colonial Penn segment is engaged primarily in the sale of graded benefit life and simplified issue life insurance policies which are sold directly to the policyholder. Our Washington National segment sells primarily supplemental health and life insurance. These products are marketed through PMA, a wholly-owned subsidiary that specializes in marketing and distributing health products, and through independent marketing organizations and insurance agencies, including worksite marketing.

Agents, insurance brokers and marketing companies who market our products and prospective purchasers of our products use the financial strength ratings of our insurance subsidiaries as an important factor in determining whether to market or purchase. Ratings have the most impact on our sales of supplemental health and life products to consumers at the worksite. The current financial strength ratings of our primary insurance subsidiaries from S&P, Fitch Ratings ("Fitch"), A.M. Best Company ("A.M. Best") and Moody's Investor Services, Inc. ("Moody's") are "A-", "A-", "A-" and "A3", respectively. For a description of these ratings and additional information on our ratings, see "Financial Strength Ratings of our Insurance Subsidiaries".

We set premium rates on our health insurance policies based on facts and circumstances known at the time we issue the policies using assumptions about numerous variables, including the actuarial probability of a policyholder incurring a claim, the probable size of the claim, and the interest rate earned on our investment of premiums. We also consider historical claims information, industry statistics, the rates of our competitors and other factors. If our actual claims experience is less favorable than we anticipated and we are unable to raise our premium rates, our financial results may be adversely affected. We generally cannot raise our health insurance premiums in any state until we obtain the approval of the state insurance regulator. We review the adequacy of our premium rates regularly and file for rate increases on our products when we believe such rates are too low. It is likely that we will not be able to obtain approval for all requested premium rate increases. If such requests are denied in one or more states, our net income may decrease. If such requests are approved, increased premium rates may reduce the volume of our new sales and may cause existing policyholders to lapse their policies. If the healthier policyholders allow their policies to lapse, this would reduce our premium income and profitability in the future.

Total premium collections were $962.2 million in the second quarter of 2019 , up 1.5 percent from 2018 , and were $1,903.7 million in the first six months of 2019 , up 1.5 percent from 2018 . First-year collected premiums were $421.0 million in the second quarter of 2019 , up 14 percent from 2018 , and were $812.5 million in the first six months of 2019 , up 16 percent from 2018 . Total premiums collected are summarized as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
First-year:				
Bankers Life	$ 388.9	$ 338.3	$ 749.0	$ 637.8
Washington National	19.0	19.4	37.6	39.1
Colonial Penn	13.1	11.3	25.9	23.2
Total first-year	421.0	369.0	812.5	700.1
Renewal:				
Bankers Life	316.3	315.1	640.1	642.6
Washington National	157.9	153.4	316.1	309.9
Colonial Penn	63.6	62.5	128.0	125.9
Long-term care in run-off	3.4	47.6	7.0	97.2
Total renewal	541.2	578.6	1,091.2	1,175.6
Total premiums collected	$ 962.2	$ 947.6	$ 1,903.7	$ 1,875.7

Total premium collections by segment were as follows:

Bankers Life (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premiums collected by product:				
Annuities:				
Fixed index (first-year)	$ 325.1	$ 273.9	$ 625.1	$ 509.3
Other fixed interest (first-year)	14.3	12.1	28.5	26.6
Other fixed interest (renewal)	1.6	1.0	2.7	2.5
Subtotal - other fixed interest annuities	15.9	13.1	31.2	29.1
Total annuities	341.0	287.0	656.3	538.4
Health:				
Medicare supplement (first-year)	14.9	15.5	29.2	30.9
Medicare supplement (renewal)	161.7	161.3	331.4	334.2
Subtotal - Medicare supplement	176.6	176.8	360.6	365.1
Long-term care (first-year)	4.7	3.7	9.1	7.4
Long-term care (renewal)	58.4	60.0	117.8	121.1
Subtotal - long-term care	63.1	63.7	126.9	128.5
Supplemental health (first-year)	1.1	1.1	2.2	2.2
Supplemental health (renewal)	5.1	4.8	10.0	9.5
Subtotal – supplemental health	6.2	5.9	12.2	11.7
Other health (first-year)	.1	.2	.3	.4
Other health (renewal)	1.3	1.3	2.6	2.6
Subtotal - other health	1.4	1.5	2.9	3.0
Total health	247.3	247.9	502.6	508.3
Life insurance:				
Traditional (first-year)	15.9	19.0	32.2	37.5
Traditional (renewal)	56.0	55.9	111.9	111.6
Subtotal - traditional	71.9	74.9	144.1	149.1
Interest-sensitive (first-year)	12.8	12.8	22.4	23.5
Interest-sensitive (renewal)	32.2	30.8	63.7	61.1
Subtotal - interest-sensitive	45.0	43.6	86.1	84.6
Total life insurance	116.9	118.5	230.2	233.7
Collections on insurance products:				
Total first-year premium collections on insurance products	388.9	338.3	749.0	637.8
Total renewal premium collections on insurance products	316.3	315.1	640.1	642.6
Total collections on insurance products	$ 705.2	$ 653.4	$ 1,389.1	$ 1,280.4

Annuities in this segment include fixed index and other fixed interest annuities sold to the senior market. Annuity collections in this segment increased 19 percent, to $341.0 million , in the second quarter of 2019 , and 22 percent, to $656.3 million , in the first six months of 2019 , as compared to the same periods in 2018 . Premium collections from our fixed index

products were favorably impacted in the 2019 periods by the general stock market performance which made these products attractive to certain customers.

Health products include Medicare supplement, long-term care and other insurance products. Our profits on health policies depend on the overall level of sales, the length of time the business remains inforce, investment yields, claims experience and expense management.

Collected premiums on Medicare supplement policies in the Bankers Life segment decreased .1 percent, to $176.6 million , in the second quarter of 2019 , and 1.2 percent, to $360.6 million , in the first six months of 2019 , as compared to the same periods in 2018 . The decrease in collected premiums in 2019 reflects a decrease in new Medicare supplement policies sold. We have experienced a shift in the sale of Medicare supplement policies to the sale of third-party Medicare Advantage policies. Medicare Advantage policies are sold through Bankers Life's agency force for other providers in exchange for fee income. Fee revenue earned on the sales of third party products (primarily Medicare Advantage policies) increased 25 percent, to $8.3 million, in the second quarter of 2019 , and 33 percent, to $29.8 million, in the first six months of 2019 , compared to the same periods in 2018 . The first quarter of a calendar year typically experiences the highest level of sales of such products.

Premiums collected on Bankers Life's long-term care policies decreased slightly in the 2019 periods, as compared to the same periods in 2018.

Life products in this segment include traditional and interest-sensitive life products. Life premiums collected in this segment in the 2019 periods were slightly lower than the comparable periods in 2018 , reflecting lower first-year premiums; partially offset by stable persistency.

Washington National (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premiums collected by product:				
Health:				
Medicare supplement (renewal)	$ 10.1	$ 11.5	$ 20.7	$ 24.0
Supplemental health (first-year)	16.7	17.7	33.3	36.0
Supplemental health (renewal)	140.2	134.4	280.2	271.3
Subtotal – supplemental health	156.9	152.1	313.5	307.3
Other health (first-year)	.1	.1	.2	.2
Other health (renewal)	.3	.3	.6	.7
Subtotal - other health	.4	.4	.8	.9
Total health	167.4	164.0	335.0	332.2
Life insurance:				
Traditional (first-year)	.2	.2	.3	.3
Traditional (renewal)	2.2	2.4	4.6	4.9
Subtotal - traditional	2.4	2.6	4.9	5.2
Interest-sensitive (first-year)	2.0	1.4	3.8	2.6
Interest-sensitive (renewal)	4.9	4.4	9.4	8.2
Subtotal - interest-sensitive	6.9	5.8	13.2	10.8
Total life insurance	9.3	8.4	18.1	16.0
Annuities:				
Fixed index (renewal)	.2	.4	.5	.7
Other fixed interest (renewal)	—	—	.1	.1
Total annuities	.2	.4	.6	.8
Collections on insurance products:				
Total first-year premium collections on insurance products	19.0	19.4	37.6	39.1
Total renewal premium collections on insurance products	157.9	153.4	316.1	309.9
Total collections on insurance products	$ 176.9	$ 172.8	$ 353.7	$ 349.0

Health products in the Washington National segment include Medicare supplement, supplemental health and other insurance products. Our profits on health policies depend on the overall level of sales, the length of time the business remains inforce, investment yields, claim experience and expense management.

Collected premiums on Medicare supplement policies in the Washington National segment decreased in the 2019 periods due to the run-off of this block of business.

Premiums collected on supplemental health products (including specified disease, accident and hospital indemnity insurance products) increased 3.2 percent, to $156.9 million , in the second quarter of 2019 , and 2.0 percent, to $313.5 million , in the first six months of 2019 , as compared to the same periods in 2018 .

Life premiums collected in the Washington National segment increased 11 percent, to $9.3 million , in the second quarter of 2019 , and 13 percent, to $18.1 million , in the first six months of 2019 , as compared to the same periods in 2018 . Such increase is due to new sales in recent periods and persistency.

Annuities in this segment include fixed index and other fixed interest annuities. We are no longer actively pursuing sales of annuity products in this segment.

Colonial Penn (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premiums collected by product:				
Life insurance:				
Traditional (first-year)	$ 13.1	$ 11.3	$ 25.9	$ 23.2
Traditional (renewal)	63.2	62.0	127.1	124.9
Subtotal - traditional	76.3	73.3	153.0	148.1
Interest-sensitive (all renewal)	—	.1	.1	.1
Total life insurance	76.3	73.4	153.1	148.2
Health (all renewal):				
Medicare supplement	.4	.4	.7	.8
Other health	—	—	.1	.1
Total health	.4	.4	.8	.9
Collections on insurance products:				
Total first-year premium collections on insurance products	13.1	11.3	25.9	23.2
Total renewal premium collections on insurance products	63.6	62.5	128.0	125.9
Total collections on insurance products	$ 76.7	$ 73.8	$ 153.9	$ 149.1

Life products in this segment are sold primarily to the senior market. Life premiums collected in this segment increased 4.0 percent, to $76.3 million , in the second quarter of 2019 , and 3.3 percent, to $153.1 million , in the first six months of 2019 , as compared to the same periods in 2018 . Premiums collected reflect both recent sales activity and steady persistency.

Health products include Medicare supplement and other insurance products. Our profits on health policies depend on the overall level of sales, the length of time the business remains in-force, investment yields, claims experience and expense management. We do not currently market these products through this segment.

Long-term care in run-off (dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Premiums collected by product:				
Health:				
Long-term care (renewal)	$ 3.4	$ 47.6	$ 7.0	$ 97.2

The Long-term care in run-off segment only includes the premiums collected from: (i) the long-term care business that was recaptured due to the termination of certain reinsurance agreements effective September 30, 2016 (such business is not actively marketed and was issued or acquired by Washington National and BCLIC); and (ii) certain legacy (prior to 2003) comprehensive and nursing home long-term care policies which were ceded in September 2018 (such business was not actively marketed and was issued by Bankers Life). Such collected premiums have decreased in 2019 as the legacy long-term care business was ceded under a 100% indemnity coinsurance agreement in September 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our capital structure as of June 30, 2019 and December 31, 2018 was as follows (dollars in millions):

	June 30, 2019	December 31, 2018
Total capital:		
Corporate notes payable	$ 988.3	$ 916.8
Shareholders' equity:		
Common stock	1.6	1.6
Additional paid-in capital	2,903.2	2,995.0
Accumulated other comprehensive income	1,098.2	177.7
Retained earnings	249.2	196.6
Total shareholders' equity	4,252.2	3,370.9
Total capital	$ 5,240.5	$ 4,287.7

The following table summarizes certain financial ratios as of and for the six months ended June 30, 2019 and as of and for the year ended December 31, 2018 :

	June 30, 2019	December 31, 2018
Book value per common share	$ 27.12	$ 20.78
Book value per common share, excluding accumulated other comprehensive income (a)	20.12	19.69
Debt to total capital ratios:		
Corporate debt to total capital	18.9%	21.4%
Corporate debt to total capital, excluding accumulated other comprehensive income (a)	23.9%	22.3%

(a) This non-GAAP measure differs from the corresponding GAAP measure presented immediately above, because accumulated other comprehensive income 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 accumulated other comprehensive income. 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. However, this measure does not replace the corresponding GAAP measure.

Liquidity for Insurance Operations

Our insurance companies generally receive adequate cash flows from premium collections and investment income to meet their obligations. Life insurance, long-term care insurance and annuity liabilities are generally long-term in nature. Life and annuity policyholders may, however, withdraw funds or surrender their policies, subject to any applicable penalty provisions; there are generally no withdrawal or surrender benefits for long-term care insurance. We actively manage the relationship between the duration of our invested assets and the estimated duration of benefit payments arising from contract liabilities.

Three of the Company's insurance subsidiaries (Washington National, Bankers Life and Colonial Penn) are members of the FHLB. As members of the FHLB, our insurance subsidiaries have the ability to borrow on a collateralized basis from the FHLB. We are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At June 30, 2019 , the carrying value of the FHLB common stock was $71.1 million . As of June 30, 2019 , collateralized borrowings from the FHLB totaled $1.6 billion and the proceeds were used to purchase fixed maturity securities. The borrowings are classified as investment borrowings in the accompanying

consolidated balance sheet. The borrowings are collateralized by investments with an estimated fair value of $2.0 billion at June 30, 2019 , which are maintained in custodial accounts for the benefit of the FHLB.

The following summarizes the terms of the borrowings from the FHLB by our insurance subsidiaries (dollars in millions):

Amount borrowed	Maturity date	Interest rate at June 30, 2019
$ 50.0	July 2019	Variable rate – 3.131%
15.0	October 2019	Variable rate – 3.095%
21.8	June 2020	Fixed rate – 1.960%
25.0	September 2020	Variable rate – 2.968%
100.0	October 2020	Variable rate – 2.708%
100.0	July 2021	Variable rate – 3.147%
100.0	July 2021	Variable rate – 3.117%
28.2	August 2021	Fixed rate – 2.550%
57.7	August 2021	Variable rate - 3.095%
125.0	August 2021	Variable rate – 2.884%
50.0	September 2021	Variable rate – 3.061%
22.0	May 2022	Variable rate – 2.874%
100.0	May 2022	Variable rate – 2.859%
10.0	June 2022	Variable rate – 3.067%
50.0	July 2022	Variable rate – 2.951%
50.0	July 2022	Variable rate – 2.961%
50.0	July 2022	Variable rate – 2.962%
50.0	August 2022	Variable rate – 2.955%
50.0	December 2022	Variable rate – 2.820%
50.0	December 2022	Variable rate – 2.820%
23.6	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – 2.784%
100.0	July 2023	Variable rate – 2.784%
50.0	February 2024	Variable rate – 2.830%
50.0	May 2024	Variable rate – 2.869%
21.8	May 2024	Variable rate – 2.863%
100.0	May 2024	Variable rate – 2.887%
50.0	May 2024	Variable rate – 2.932%
75.0	June 2024	Variable rate – 2.640%
20.1	June 2025	Fixed rate – 2.940%
$ 1,645.2		

State laws generally give state insurance regulatory agencies broad authority to protect policyholders in their jurisdictions. Regulators have used this authority in the past to restrict the ability of our insurance subsidiaries to pay any dividends or other amounts without prior approval. We cannot be assured that the regulators will not seek to assert greater supervision and control over our insurance subsidiaries' businesses and financial affairs.

Our estimated consolidated statutory RBC ratio was 409 percent at June 30, 2019 , up from 393 percent at December 31, 2018. The improvement is largely attributable to the change in estimated fair value of equity-type securities and asset

reallocation activities that increased the quality of our investment portfolio. For example, we reduced our allocation of fixed maturity investments rated 2 by the National Association of Insurance Commissioners (the "NAIC") to 39 percent of the portfolio at June 30, 2019 from 45 percent at December 31, 2018, and sold a significant portion of our equity securities in the first half of 2019. In the first six months of 2019 , our estimated consolidated statutory operating earnings were $162 million and insurance company dividends of $130.9 million were paid to the holding company. Our objective is to target an RBC ratio in the 400 percent to 425 percent range over the long-run.

Our insurance subsidiaries transfer exposure to certain risk to others through reinsurance arrangements. When we obtain reinsurance, we are still liable for those transferred risks in the event the reinsurer defaults on its obligations. The failure, insolvency, inability or unwillingness of one or more of the Company's reinsurers to perform in accordance with the terms of its reinsurance agreement could negatively impact our earnings or financial position and our consolidated statutory RBC ratio.

Financial Strength Ratings of our Insurance Subsidiaries

Financial strength ratings provided by S&P, Fitch, A.M. Best and Moody's are the rating agency's opinions of the ability of our insurance subsidiaries to pay policyholder claims and obligations when due.

On June 21, 2019, S&P upgraded the financial strength ratings of our primary insurance subsidiaries to "A-" from "BBB+" and the outlook for these ratings is stable. S&P financial strength ratings range from "AAA" to "R" and some companies are not rated. An insurer rated "A", in S&P's opinion, has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. Pluses and minuses show the relative standing within a category. S&P has twenty-one possible ratings. There are six ratings above the "A-" rating of our primary insurance subsidiaries and fourteen ratings that are below that rating.

On June 14, 2019, Fitch upgraded the financial strength ratings of our primary insurance subsidiaries to "A-" from "BBB+" and the outlook for these ratings is stable. An insurer rated "A", in Fitch's opinion, indicates a low expectation of ceased or interrupted payments and indicates strong capacity to meet policyholder and contract obligations. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. Fitch ratings for the industry range from "AAA Exceptionally Strong" to "C Distressed" and some companies are not rated. Pluses and minuses show the relative standing within a category. Fitch has nineteen possible ratings. There are six ratings above the "A-" rating of our primary insurance subsidiaries and twelve ratings that are below that rating.

On January 9, 2019, A.M. Best affirmed its "A-" financial strength ratings of our primary insurance subsidiaries. The outlook for these ratings remain stable. The "A-" rating is assigned to companies that have an excellent ability, in A.M. Best's opinion, to meet their ongoing obligations to policyholders. A.M. Best ratings for the industry currently range from "A++ (Superior)" to "F (In Liquidation)" and some companies are not rated. An "A++" rating indicates a superior ability to meet ongoing obligations to policyholders. A.M. Best has sixteen possible ratings. There are three ratings above the "A-" rating of our primary insurance subsidiaries and twelve ratings that are below that rating.

On October 4, 2018, Moody's upgraded the financial strength ratings of our primary insurance subsidiaries to "A3" from "Baa1" and the outlook for these ratings is stable. Moody's actions resulted from the Company's announcement that Bankers Life had closed on its agreement to cede certain long-term care policies. Moody’s financial strength ratings range from "Aaa" to "C". These ratings may be supplemented with numbers "1", "2", or "3" to show relative standing within a category. In Moody's view, an insurer rated "A" offers good financial security, however, certain elements may be present which suggests a susceptibility to impairment sometime in the future. Moody's has twenty-one possible ratings. There are six ratings above the "A3" rating of our primary insurance subsidiaries and fourteen ratings that are below that rating.

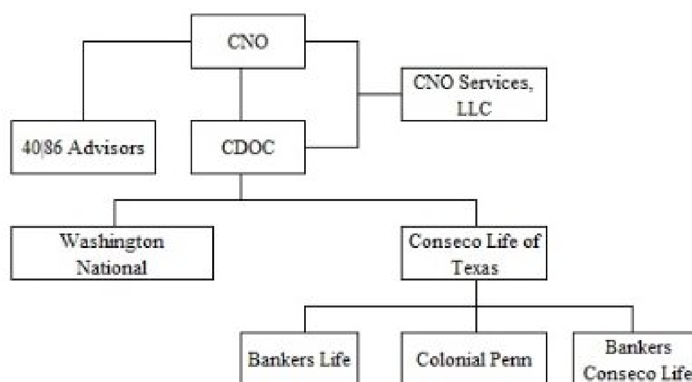
Rating agencies have increased the frequency and scope of their credit reviews and requested additional information from the companies that they rate, including us. They may also adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. We cannot predict what actions rating agencies may take, or what actions we may take in response. Accordingly, downgrades and outlook revisions related to us or the life insurance industry may occur in the future at any time and without notice by any rating agency. These could increase policy surrenders and withdrawals, adversely affect relationships with our distribution channels, reduce new sales, reduce our ability to borrow and increase our future borrowing costs.

Liquidity of the Holding Companies

Availability and Sources and Uses of Holding Company Liquidity; Limitations on Ability of Insurance Subsidiaries to Make Dividend and Surplus Debenture Interest Payments to the Holding Companies; Limitations on Holding Company Activities

At June 30, 2019 , CNO, CDOC, Inc. ("CDOC", our wholly owned subsidiary and the immediate parent of Washington National and Conseco Life Insurance Company of Texas ("CLTX")) and our other non-insurance subsidiaries held unrestricted cash and cash equivalents of $264.1 million. CNO and CDOC are holding companies with no business operations of their own; they depend on their operating subsidiaries for cash to make principal and interest payments on debt, and to pay administrative expenses and income taxes. CNO and CDOC receive cash from insurance subsidiaries, consisting of dividends and distributions, interest payments on surplus debentures and tax-sharing payments, as well as cash from non-insurance subsidiaries consisting of dividends, distributions, loans and advances. The principal non-insurance subsidiaries that provide cash to CNO and CDOC are 40|86 Advisors, Inc., which receives fees from the insurance subsidiaries for investment services, and CNO Services, LLC which receives fees from the insurance subsidiaries for providing administrative services. The agreements between our insurance subsidiaries and CNO Services, LLC and 40|86 Advisors, Inc., respectively, were previously approved by the domestic insurance regulator for each insurance company, and any payments thereunder do not require further regulatory approval.

The following summarizes the current ownership structure of CNO’s primary subsidiaries:



The ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations and is based on the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by regulatory authorities, which differ from GAAP. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company without regulatory approval for any 12-month period in amounts equal to the greater of (or in some states, the lesser of): (i) statutory net gain from operations or net income for the prior year; or (ii) 10 percent of statutory capital and surplus as of the end of the preceding year. However, as each of the immediate insurance subsidiaries of CDOC has significant negative earned surplus, any dividend payments from the insurance subsidiaries require the prior approval of the director or commissioner of the applicable state insurance department. In the first six months of 2019 , our insurance subsidiaries paid dividends to CDOC totaling $130.9 million . We expect to receive regulatory approval for future dividends from our subsidiaries, but there can be no assurance that such payments will be approved or that the financial condition of our insurance subsidiaries will not change, making future approvals less likely.

CDOC holds surplus debentures from CLTX with an aggregate principal amount of $749.6 million. Interest payments on those surplus debentures do not require additional approval provided the RBC ratio of CLTX exceeds 100 percent (but do require prior written notice to the Texas state insurance department). The estimated RBC ratio of CLTX was 346 percent at June 30, 2019 . CDOC also holds a surplus debenture from Colonial Penn with a principal balance of $160.0 million. Interest payments on that surplus debenture require prior approval by the Pennsylvania state insurance department. Dividends and other payments from our non-insurance subsidiaries, including 40|86 Advisors, Inc. and CNO Services, LLC, to CNO or CDOC do not require approval by any regulatory authority or other third party. However, insurance regulators may prohibit payments by

our insurance subsidiaries to parent companies if they determine that such payments could be adverse to our policyholders or contractholders.

The insurance subsidiaries of CDOC receive funds to pay dividends primarily from: (i) the earnings of their direct businesses; (ii) tax sharing payments received from subsidiaries (if applicable); and (iii) with respect to CLTX, dividends received from subsidiaries. At June 30, 2019 , the subsidiaries of CLTX had earned surplus (deficit) as summarized below (dollars in millions):

Subsidiaries of CLTX	Earned surplus (deficit)	Additional information
Bankers Life	$ 157.9	(a)
Colonial Penn	(324.6)	(b)

(a) Bankers Life paid dividends of $133.0 million to CLTX in the first six months of 2019 . Bankers Life may pay dividends without regulatory approval or prior notice for any 12-month period if such dividends are less than the greater of: (i) statutory net income for the prior year; or (ii) 10 percent of statutory capital and surplus as of the end of the preceding year. Dividends in excess of these levels require 30 days prior notice. If a company has negative unassigned surplus, any dividend payments require prior approval. Bankers Life recognized a statutory loss in 2018 due to the closing of a reinsurance transaction. Accordingly, any dividends paid in 2019 in excess of 10 percent of Bankers Life's statutory capital and surplus will require 30 days prior notice.

(b) The deficit is primarily due to transactions which occurred several years ago, including a tax planning transaction and the fee paid to recapture a block of business previously ceded to an unaffiliated insurer.

A significant deterioration in the financial condition, earnings or cash flow of the material subsidiaries of CNO or CDOC for any reason could hinder such subsidiaries' ability to pay cash dividends or other disbursements to CNO and/or CDOC, which, in turn, could limit CNO's ability to meet debt service requirements and satisfy other financial obligations. In addition, we may choose to retain capital in our insurance subsidiaries or to contribute additional capital to our insurance subsidiaries to maintain or strengthen their surplus or fund a long-term care reinsurance transaction, and these decisions could limit the amount available at our top tier insurance subsidiaries to pay dividends to the holding companies.

In the second quarter of 2019, as further discussed in the note to the consolidated financial statements entitled "Notes Payable - Direct Corporate Obligations", we completed a debt refinancing transaction. The following table sets forth the sources and uses of cash from the transaction (dollars in millions):

Sources:	
2029 Notes	$ 500.0
Uses:	
Repayment of Revolving Credit Agreement	$ 100.0
Repayment of 2020 Notes, including redemption premium	331.1
Accrued interest	.6
Debt issuance costs	5.8
General corporate purposes	62.5
Total uses	$ 500.0

The scheduled repayment of our direct corporate obligations was as follows at June 30, 2019 (dollars in millions):

Year ending June 30,		
2020	$	—
2021		—
2022		—
2023		—
2024		—
Thereafter		1,000.0
	$	1,000.0

Free cash flow before the increase in statutory capital necessary to support our growth is expected to be between $300 million and $350 million in 2019. We currently estimate that approximately $30 million to $50 million of capital will be needed in 2019 to support our growth. The Company is committed to deploying 100 percent of its free cash flow into investments to accelerate profitable growth (including opportunities to invest in our business and acquisition transactions), common stock dividends and share repurchases. The amount and timing of the securities repurchases (if any) will be based on business and market conditions and other factors including, but not limited to, available capital, the current price of our common stock, opportunities to invest in our business or acquisition transactions. In the first six months of 2019 , we repurchased 6.2 million shares of common stock for $102.0 million under our securities repurchase program (including $2.0 million of repurchases settled in the third quarter of 2019). The Company had remaining repurchase authority of $182.6 million as of June 30, 2019 . Also, in the second quarter of 2019, the Company purchased WBD (as further described in the note to the consolidated financial statements entitled "Acquisition of Web Benefits Design Corporation") utilizing $66.7 million of holding company liquidity.

In the first six months of 2019 , dividends declared on common stock totaled $33.7 million ($0.21 per common share).

On June 21, 2019, S&P upgraded our senior unsecured debt rating to "BBB-" from "BB+" and the outlook for these ratings is stable. In S&P's view, an obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Pluses and minuses show the relative standing within a category. S&P has a total of 22 possible ratings ranging from "AAA (Extremely Strong)" to "D (Payment Default)". There are nine ratings above CNO's "BBB-" rating and twelve ratings that are below its rating.

On June 14, 2019, Fitch upgraded our senior unsecured debt rating to "BBB-" from "BB+" and the outlook for these ratings is stable. In Fitch's view, an obligation rated "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. Pluses and minuses show the relative standing within a category. Fitch has a total of 21 possible ratings ranging from "AAA" to "D". There are nine ratings above CNO's "BBB-" rating and eleven ratings that are below its rating.

On January 9, 2019, A.M. Best affirmed its "bbb-" issuer credit and senior unsecured debt ratings. The outlook for these ratings remain stable. In A.M. Best's view, a company rated "bbb-" has an adequate ability to meet the terms of its obligations; however, the issuer is more susceptible to changes in economic or other conditions. Pluses and minuses show the relative standing within a category. A.M. Best has a total of 22 possible ratings ranging from "aaa (Exceptional)" to "d (In default)". There are nine ratings above CNO's "bbb-" rating and twelve ratings that are below its rating.

On October 4, 2018, Moody's upgraded our senior unsecured debt rating to "Baa3" from "Ba1" and the outlook for these ratings is stable. Moody's actions resulted from the Company's announcement that Bankers Life had closed on its agreement to cede certain long-term care policies. In Moody's view, obligations rated "Baa" are subject to moderate credit risk and may possess certain speculative characteristics. A rating is supplemented with numerical modifiers "1", "2" or "3" to show the relative standing within a category. Moody's has a total of 21 possible ratings ranging from "Aaa" to "C". There are nine ratings above CNO's "Baa3" rating and eleven ratings that are below its rating.

We believe that the existing cash available to the holding company, the cash flows to be generated from operations and other transactions will be sufficient to allow us to meet our debt service obligations, pay corporate expenses and satisfy other financial obligations. However, our cash flow is affected by a variety of factors, many of which are outside of our control, including insurance regulatory issues, competition, financial markets and other general business conditions. We cannot provide assurance that we will possess sufficient income and liquidity to meet all of our debt service requirements and other holding company obligations.

INVESTMENTS

At June 30, 2019 , the amortized cost, gross unrealized gains and losses and estimated fair value of fixed maturities, available for sale, were as follows (dollars in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Investment grade (a):				
Corporate securities	$ 10,647.0	$ 1,101.3	$ (23.6)	$ 11,724.7
United States Treasury securities and obligations of United States government corporations and agencies	154.8	38.7	(.1)	193.4
States and political subdivisions	1,896.3	233.7	—	2,130.0
Debt securities issued by foreign governments	76.5	8.2	—	84.7
Asset-backed securities	1,593.2	47.0	(1.6)	1,638.6
Collateralized debt obligations	285.0	.1	(1.7)	283.4
Commercial mortgage-backed securities	1,615.7	72.3	(5.2)	1,682.8
Mortgage pass-through securities	1.3	.1	—	1.4
Collateralized mortgage obligations	450.9	23.3	(.1)	474.1
Total investment grade fixed maturities, available for sale	16,720.7	1,524.7	(32.3)	18,213.1
Below-investment grade (a) (b):				
Corporate securities	801.6	20.6	(7.5)	814.7
Asset-backed securities	952.8	120.6	(.7)	1,072.7
Commercial mortgage-backed securities	73.4	2.8	—	76.2
Collateralized mortgage obligations	224.6	35.9	—	260.5
Total below-investment grade fixed maturities, available for sale	2,052.4	179.9	(8.2)	2,224.1
Total fixed maturities, available for sale	$ 18,773.1	$ 1,704.6	$ (40.5)	$ 20,437.2

(a) Investment ratings are assigned the second lowest rating by Nationally Recognized Statistical Rating Organizations ("NRSROs") (Moody's, S&P or Fitch), or if not rated by such firms, the rating assigned by the NAIC. NAIC designations of "1" or "2" include fixed maturities generally rated investment grade (rated "Baa3" or higher by Moody's or rated "BBB-" or higher by S&P and Fitch). NAIC designations of "3" through "6" are referred to as below-investment grade (which generally are rated "Ba1" or lower by Moody's or rated "BB+" or lower by S&P and Fitch). References to investment grade or below-investment grade throughout our consolidated financial statements are determined as described above.

(b) Certain structured securities rated below-investment grade by NRSROs may be assigned a NAIC 1 or NAIC 2 designation based on the cost basis of the security relative to estimated recoverable amounts as determined by the NAIC. Refer to the table below for a summary of our fixed maturity securities, available for sale, by NAIC designations.

The NAIC evaluates the fixed maturity investments of insurers for regulatory and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations, which are used by insurers when preparing their annual statements based on statutory accounting principles. The NAIC designations are generally similar to the credit quality designations of the NRSROs for marketable fixed maturity securities, except for certain structured securities. However, certain structured securities rated below investment grade by the NRSROs can be assigned NAIC 1 or NAIC 2 designations depending on the cost basis of the holding relative to estimated recoverable amounts as determined by the NAIC. The following summarizes the NAIC designations and NRSRO equivalent ratings:

NAIC Designation	NRSRO Equivalent Rating
1	AAA/AA/A
2	BBB
3	BB
4	B
5	CCC and lower
6	In or near default

A summary of our fixed maturity securities, available for sale, by NAIC designations (or for fixed maturity securities held by non-regulated entities, based on NRSRO ratings) as of June 30, 2019 is as follows (dollars in millions):

NAIC designation	Amortized cost	Estimated fair value	Percentage of total estimated fair value
1	$ 10,552.3	$ 11,640.5	56.9%
2	7,404.3	7,964.7	39.0
Total NAIC 1 and 2 (investment grade)	17,956.6	19,605.2	95.9
3	628.7	642.8	3.2
4	183.0	184.8	.9
5	2.0	1.9	—
6	2.8	2.5	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	816.5	832.0	4.1
	$ 18,773.1	$ 20,437.2	100.0%

Concentration of Fixed Maturity Securities, Available for Sale

The following table summarizes the carrying values and gross unrealized losses of our fixed maturity securities, available for sale, by category as of June 30, 2019 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Asset-backed securities	$ 2,711.3	13.3%	$ 2.3	5.5%
States and political subdivisions	2,130.0	10.4	—	—
Commercial mortgage-backed securities	1,759.0	8.6	5.2	12.9
Banks	1,380.0	6.8	1.6	4.0
Utilities	1,370.4	6.7	1.2	2.9
Insurance	1,357.9	6.7	2.4	5.9
Healthcare/pharmaceuticals	1,113.5	5.5	3.0	7.5
Energy	905.0	4.4	5.2	12.9
Food/beverage	887.2	4.3	2.5	6.3
Collateralized mortgage obligations	734.6	3.6	.1	.3
Technology	594.7	2.9	1.2	3.0
Brokerage	569.8	2.8	1.9	4.7
Transportation	531.7	2.6	.4	.9
Real estate/REITs	458.2	2.2	—	—
Cable/media	457.9	2.2	.6	1.5
Capital goods	399.1	2.0	.2	.5
Telecom	387.8	1.9	—	—
Chemicals	365.9	1.8	2.0	4.8
Collateralized debt obligations	283.4	1.4	1.7	4.3
Aerospace/defense	233.3	1.1	—	—
Other	1,806.5	8.8	9.0	22.1
Total fixed maturities, available for sale	$ 20,437.2	100.0%	$ 40.5	100.0%

Below-Investment Grade Securities

At June 30, 2019 , the amortized cost of the Company's below-investment grade fixed maturity securities was $2,052.4 million , or 11 percent of the Company's fixed maturity portfolio. The estimated fair value of the below-investment grade portfolio was $2,224.1 million , or 108 percent of the amortized cost.

Below-investment grade corporate debt securities typically have different characteristics than investment grade corporate debt securities. Based on historical performance, probability of default by the borrower is significantly greater for below-investment grade corporate debt securities and in many cases severity of loss is relatively greater as such securities are generally unsecured and often subordinated to other indebtedness of the issuer. Also, issuers of below-investment grade corporate debt securities frequently have higher levels of debt relative to investment-grade issuers, hence, all other things being equal, are generally more sensitive to adverse economic conditions. The Company attempts to reduce the overall risk related to its investment in below-investment grade securities, as in all investments, through careful credit analysis, strict investment policy guidelines, and diversification by issuer and/or guarantor and by industry.

Net Realized Investment Gains (Losses)

The following table sets forth the net realized investment gains (losses) for the periods indicated (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Fixed maturity securities, available for sale:				
Gross realized gains on sale	$ 5.9	$ 31.9	$ 66.8	$ 40.1
Gross realized losses on sale	(.8)	(17.8)	(52.3)	(25.5)
Net impairment losses recognized	—	—	(2.2)	—
Net realized investment gains (losses) from fixed maturities	5.1	14.1	12.3	14.6
Equity securities, including change in fair value (a)	.1	2.2	10.8	(10.3)
Loss on dissolution of variable interest entity	(5.1)	—	(5.1)	—
Other (a)	5.2	(5.3)	3.4	(8.5)
Net realized investment gains (losses)	$ 5.3	$ 11.0	$ 21.4	$ (4.2)

(a) Changes in the estimated fair value of trading securities that we have elected the fair value option and equity securities (and are still held as of the end of the respective periods) were $10.3 million and $(4.2) million for the six months ended June 30, 2019 and 2018 , respectively.

During the first six months of 2019 , we recognized net realized investment gains of $21.4 million , which were comprised of: (i) $5.3 million of net gains from the sales of investments; (ii) $5.1 million of losses on the dissolution of a VIE; (iii) $10.8 million of gains related to equity securities, including the change in fair value; (iv) the increase in fair value of certain fixed maturity investments with embedded derivatives of $7.7 million ; (v) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $4.9 million ; and (vi) $2.2 million of writedowns of investments for other than temporary declines in fair value recognized through net income.

During the first six months of 2018 , we recognized net realized investment losses of $4.2 million , which were comprised of: (i) $11.8 million of net gains from the sales of investments; (ii) $10.3 million of losses related to equity securities, including the change in fair value; (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $1.5 million ; and (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of $4.2 million .

At June 30, 2019 , there were no fixed maturity investments in default.

During the first six months of 2019 , the $52.3 million of gross realized losses on sales of $877.4 million of fixed maturity securities, available for sale included: (i) $45.2 million related to various corporate securities; and (ii) $7.1 million related to various other investments. Securities are generally sold at a loss following unforeseen issuer-specific events or conditions or shifts in perceived relative values. These reasons include but are not limited to: (i) changes in the investment environment, including changes in relative value among potential investment strategies; (ii) expectation that the market value could deteriorate; (iii) our desire to reduce our exposure to an asset class, an issuer or an industry; (iv) prospective or actual changes in credit quality; or (v) changes in expected portfolio cash flows.

During the first six months of 2018 , the $25.5 million of gross realized losses on sales of $760.2 million of fixed maturity securities, available for sale, included: (i) $19.0 million related to various corporate securities; (ii) $3.8 million related to commercial mortgage-backed securities; and (iii) $2.7 million related to various other investments.

Our fixed maturity investments are generally purchased in the context of various long-term strategies, including funding insurance liabilities, so we do not generally seek to generate short-term realized gains through the purchase and sale of such securities. In certain circumstances, including those in which securities are selling at prices which exceed our view of their

underlying economic value, or when it is possible to reinvest the proceeds to better meet our long-term asset-liability objectives, we may sell certain securities.

During the first six months of 2019 , we recognized $2.2 million of impairment losses recorded in earnings on a corporate security due to an issuer specific event.

The following summarizes the investments sold at a loss during the first six months of 2019 which had been continuously in an unrealized loss position exceeding 20 percent of the amortized cost basis prior to the sale for the period indicated (dollars in millions):

		At date of sale	
	Number of issuers	Amortized cost	Fair value
Less than 6 months prior to sale	7	$ 61.2	$ 46.3
Greater than 12 months prior to sale	1	4.1	2.8
	8	$ 65.3	$ 49.1

We regularly evaluate all of our investments with unrealized losses for possible impairment. Our assessment of whether unrealized losses are "other than temporary" requires significant judgment. Factors considered include: (i) the extent to which fair value is less than the cost basis; (ii) the length of time that the fair value has been less than cost; (iii) whether the unrealized loss is event driven, credit-driven or a result of changes in market interest rates or risk premium; (iv) the near-term prospects for specific events, developments or circumstances likely to affect the value of the investment; (v) the investment's rating and whether the investment is investment-grade and/or has been downgraded since its purchase; (vi) whether the issuer is current on all payments in accordance with the contractual terms of the investment and is expected to meet all of its obligations under the terms of the investment; (vii) whether we intend to sell the investment or it is more likely than not that circumstances will require us to sell the investment before recovery occurs; (viii) the underlying current and prospective asset and enterprise values of the issuer and the extent to which the recoverability of the carrying value of our investment may be affected by changes in such values; (ix) projections of, and unfavorable changes in, cash flows on structured securities including mortgage-backed and asset-backed securities; (x) our best estimate of the value of any collateral; and (xi) other objective and subjective factors.

Future events may occur, or additional information may become available, which may necessitate future realized losses in our portfolio. Significant losses could have a material adverse effect on our consolidated financial statements in future periods.

The following table sets forth the amortized cost and estimated fair value of those fixed maturities, available for sale, with unrealized losses at June 30, 2019 , by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Structured securities frequently include provisions for periodic principal payments and permit periodic unscheduled payments.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	$ 12.1	$ 12.1
Due after one year through five years	102.0	100.9
Due after five years through ten years	117.1	114.9
Due after ten years	757.4	729.5
Subtotal	988.6	957.4
Structured securities	695.9	686.6
Total	$ 1,684.5	$ 1,644.0

The following summarizes the investments in our portfolio rated below-investment grade which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of June 30, 2019 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Greater than 12 months	1	$ 5.1	$ (1.8)	$ 3.3

The following table summarizes the gross unrealized losses of our fixed maturity securities, available for sale, by category and ratings category as of June 30, 2019 (dollars in millions):

	Investment grade		Below-investment grade		
	AAA/AA/A	BBB	BB	B+ and below	Total gross unrealized losses
Energy	$ —	$ 1.9	$ 1.5	$ 1.8	$ 5.2
Commercial mortgage-backed securities	5.2	—	—	—	5.2
Healthcare/pharmaceuticals	—	3.0	—	—	3.0
Food/beverage	—	2.3	.2	—	2.5
Building materials	—	2.5	—	—	2.5
Insurance	—	2.4	—	—	2.4
Asset-backed securities	1.3	.3	.6	.1	2.3
Autos	.4	1.2	.4	—	2.0
Chemicals	—	1.8	.2	—	2.0
Brokerage	.1	1.7	—	.1	1.9
Collateralized debt obligations	1.7	—	—	—	1.7
Banks	—	1.6	—	—	1.6
Technology	—	.5	.1	.6	1.2
Utilities	—	.9	.3	—	1.2
Retail	—	1.2	—	—	1.2
Consumer products	—	1.1	—	—	1.1
Other	.3	.9	1.6	.7	3.5
Total fixed maturities, available for sale	$ 9.0	$ 23.3	$ 4.9	$ 3.3	$ 40.5

Our investment strategy is to maximize, over a sustained period and within acceptable parameters of quality and risk, investment income and total investment return through active strategic asset allocation and investment management. Accordingly, we may sell securities at a gain or a loss to enhance the projected total return of the portfolio as market opportunities change, to reflect changing perceptions of risk, or to better match certain characteristics of our investment portfolio with the corresponding characteristics of our insurance liabilities.

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at June 30, 2019 (dollars in millions):

	Less than 12 months		12 months or greater		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	$ 254.2	$ (3.3)	$ 693.2	$ (27.8)	$ 947.4	$ (31.1)
United States Treasury securities and obligations of United States government corporations and agencies	—	—	7.9	(.1)	7.9	(.1)
States and political subdivisions	—	—	2.1	—	2.1	—
Asset-backed securities	191.9	(.8)	113.0	(1.5)	304.9	(2.3)
Collateralized debt obligations	109.2	(.7)	65.2	(1.0)	174.4	(1.7)
Commercial mortgage-backed securities	60.9	(.1)	115.6	(5.1)	176.5	(5.2)
Collateralized mortgage obligations	16.3	—	14.5	(.1)	30.8	(.1)
Total fixed maturities, available for sale	$ 632.5	$ (4.9)	$ 1,011.5	$ (35.6)	$ 1,644.0	$ (40.5)

Based on management's current assessment of investments with unrealized losses at June 30, 2019 , the Company believes the issuers of the securities will continue to meet their obligations. While we do not have the intent to sell securities with unrealized losses and it is not more likely than not that we will be required to sell securities with unrealized losses prior to their anticipated recovery, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, if a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we had the intent to sell the security before its anticipated recovery.

Structured Securities

At June 30, 2019 , fixed maturity investments included structured securities with an estimated fair value of $5.5 billion (or 27 percent of all fixed maturity securities). The yield characteristics of structured securities generally differ in some respects from those of traditional corporate fixed-income securities or government securities. For example, interest and principal payments on structured securities may occur more frequently, often monthly. In many instances, we are subject to variability in the amount and timing of principal and interest payments. For example, in many cases, partial prepayments may occur at the option of the issuer and prepayment rates are influenced by a number of factors that cannot be predicted with certainty, including: the relative sensitivity of prepayments on the underlying assets backing the security to changes in interest rates and asset values; the availability of alternative financing; a variety of economic, geographic and other factors; the timing, pace and proceeds of liquidations of defaulted collateral; and various security-specific structural considerations (for example, the repayment priority of a given security in a securitization structure). In addition, the total amount of payments for non-agency structured securities may be affected by changes to cumulative default rates or loss severities of the related collateral.

The following table sets forth the par value, amortized cost and estimated fair value of structured securities, summarized by interest rates on the underlying collateral, at June 30, 2019 (dollars in millions):

	Par value	Amortized cost	Estimated fair value
Below 4 percent	$ 1,875.7	$ 1,744.2	$ 1,822.7
4 percent – 5 percent	2,189.9	2,088.2	2,212.7
5 percent – 6 percent	1,042.8	970.6	1,041.2
6 percent – 7 percent	143.9	133.3	141.7
7 percent – 8 percent	53.8	54.2	61.6
8 percent and above	206.4	206.4	209.8
Total structured securities	$ 5,512.5	$ 5,196.9	$ 5,489.7

The amortized cost and estimated fair value of structured securities at June 30, 2019 , summarized by type of security, were as follows (dollars in millions):

		Estimated fair value	
Type	Amortized cost	Amount	Percent of fixed maturities
Pass-throughs, sequential and equivalent securities	$ 602.2	$ 652.2	3.2%
Planned amortization classes, target amortization classes and accretion-directed bonds	58.2	66.6	.3
Commercial mortgage-backed securities	1,689.1	1,759.0	8.6
Asset-backed securities	2,546.0	2,711.3	13.3
Collateralized debt obligations	285.0	283.4	1.4
Other	16.4	17.2	.1
Total structured securities	$ 5,196.9	$ 5,489.7	26.9%

Pass-throughs, sequentials and equivalent securities have unique prepayment variability characteristics. Pass-through securities typically return principal to the holders based on cash payments from the underlying mortgage obligations. Sequential securities return principal to tranche holders in a detailed hierarchy. Planned amortization classes, targeted amortization classes and accretion-directed bonds adhere to fixed schedules of principal payments as long as the underlying mortgage loans experience prepayments within certain estimated ranges. In most circumstances, changes in prepayment rates are first absorbed by support or companion classes insulating the timing of receipt of cash flows from the consequences of both faster prepayments (average life shortening) and slower prepayments (average life extension).

Commercial mortgage-backed securities are secured by commercial real estate mortgages, generally income producing properties that are managed for profit. Property types include multi-family dwellings including apartments, retail centers, hotels, restaurants, hospitals, nursing homes, warehouses, and office buildings. While most commercial mortgage-backed securities have call protection features whereby underlying borrowers may not prepay their mortgages for stated periods of time without incurring prepayment penalties, recoveries on defaulted collateral may result in involuntary prepayments.

Mortgage Loans

The following table provides the carrying value and estimated fair value of our outstanding commercial mortgage loans and the underlying collateral as of June 30, 2019 (dollars in millions):

		Estimated fair value	
Loan-to-value ratio (a)	Carrying value	Mortgage loans	Collateral
Less than 60%	$ 1,027.6	$ 1,087.8	$ 2,679.6
60% to 70%	263.8	276.5	411.4
Greater than 70% to 80%	99.9	108.1	136.2
Greater than 80% to 90%	43.4	45.7	52.7
Greater than 90%	26.5	26.8	28.5
Total	$ 1,461.2	$ 1,544.9	$ 3,308.4

(a) Loan-to-value ratios are calculated as the ratio of: (i) the carrying value of the commercial mortgage loans; to (ii) the estimated fair value of the underlying collateral.

At June 30, 2019 , we held residential mortgage loan investments with a carrying value and fair value of $135.3 million and $135.6 million, respectively.

INVESTMENTS IN VARIABLE INTEREST ENTITIES

The following table provides supplemental information about the revenues and expenses of the VIEs which have been consolidated in accordance with authoritative guidance, after giving effect to the elimination of our investment in the VIEs and investment management fees earned by a subsidiary of the Company (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Net investment income – policyholder and other special-purpose portfolios	$ 18.6	$ 19.8	$ 40.8	$ 38.8
Fee revenue and other income	1.5	2.3	3.1	4.0
Total revenues	20.1	22.1	43.9	42.8
Expenses:				
Interest expense	13.7	15.2	30.2	28.4
Other operating expenses	.8	.4	1.2	1.0
Total expenses	14.5	15.6	31.4	29.4
Income before net realized investment losses and income taxes	5.6	6.5	12.5	13.4
Net realized investment losses	(6.3)	(2.9)	(14.5)	(2.9)
Loss on extinguishment of borrowings	—	(3.8)	—	(3.8)
Income (loss) before income taxes	$ (.7)	$ (.2)	$ (2.0)	$ 6.7

During the first six months of 2019 , the VIEs recognized net realized investment losses of $14.5 million which were comprised of: (i) $9.4 million of net losses from the sales of fixed maturities; and (ii) $5.1 million of losses on the dissolution of a VIE. During the first six months of 2018 , the VIEs recognized net realized investment losses of $2.9 million from the sales of fixed maturities.

Supplemental Information on Investments Held by VIEs

The following table summarizes the carrying values of the investments held by the VIEs by category as of June 30, 2019 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Healthcare/pharmaceuticals	$ 169.5	13.9%	$ 2.1	9.2%
Technology	141.0	11.6	3.0	12.9
Cable/media	110.1	9.1	1.6	6.9
Food/beverage	79.6	6.6	2.2	9.6
Capital goods	72.1	5.9	1.4	6.0
Consumer products	64.7	5.3	1.4	6.0
Aerospace/defense	63.8	5.2	1.4	6.0
Building materials	49.6	4.1	1.0	4.1
Brokerage	49.2	4.0	.5	2.3
Paper	43.7	3.6	1.0	4.4
Chemicals	39.5	3.3	1.0	4.5
Retail	35.9	3.0	1.4	5.8
Autos	32.1	2.6	.3	1.2
Gaming	31.0	2.5	.3	1.3
Utilities	29.5	2.4	.3	1.5
Insurance	26.7	2.2	.2	1.0
Business services	21.4	1.8	.1	.4
Transportation	21.4	1.8	.7	3.2
Entertainment/hotels	17.7	1.5	.3	1.3
Energy	13.3	1.1	.1	.2
Metals and mining	12.2	1.0	.2	.6
Other	91.2	7.5	2.8	11.6
Total	$ 1,215.2	100.0%	$ 23.3	100.0%

The following table sets forth the amortized cost and estimated fair value of those investments held by the VIEs with unrealized losses at June 30, 2019 , by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due after one year through five years	$ 531.5	$ 517.8
Due after five years through ten years	509.4	499.8
Total	$ 1,040.9	$ 1,017.6

The following summarizes the investments sold at a loss during the first six months of 2019 which had been continuously in an unrealized loss position exceeding 20 percent of the amortized cost basis prior to the sale for the period indicated (dollars in millions):

		At date of sale	
	Number of issuers	Amortized cost	Fair value
Less than 6 months prior to sale	6	$ 9.5	$ 7.3
Greater than or equal to 6 months and less than 12 months prior to sale	1	.2	.1
	7	$ 9.7	$ 7.4

The following summarizes the investments in our portfolio rated below-investment grade which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of June 30, 2019 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	3	$ 6.4	$ (1.8)	$ 4.6

NEW ACCOUNTING STANDARDS

See "Recently Issued Accounting Standards" in the notes to consolidated financial statements for a discussion of recently issued accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our market risks, and the ways we manage them, are summarized in "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes in the first six months of 2019 to such risks or our management of such risks.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures . CNO's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of CNO's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on its evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019 , CNO's disclosure controls and procedures were effective to ensure that information required to be disclosed by CNO in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes to Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the three months ended June 30, 2019 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information required for Part II, Item 1 is incorporated by reference to the discussion under the heading "Litigation and Other Legal Proceedings" in the footnotes to our consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS.

CNO and its businesses are subject to a number of risks including general business and financial risk factors. Any or all of such factors could have a material adverse effect on the business, financial condition or results of operations of CNO. Refer to "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, for further discussion of such risk factors. There have been no material changes from such previously disclosed risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

Period (in 2019)	Total number of shares (or units)	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (a)
				(dollars in millions)
April 1 through April 30	3,217	$ 16.50	—	$ 237.6
May 1 through May 31	1,931,033	16.59	1,890,868	206.2
June 1 through June 30	1,452,505	16.29	1,451,427	182.6
Total	3,386,755	16.46	3,342,295	182.6

(a) In May 2011, the Company announced a securities repurchase program of up to $100.0 million . In February 2012, June 2012, December 2012, December 2013, November 2014, November 2015 and May 2017, the Company's Board of Directors approved, in aggregate, an additional $1,900.0 million to repurchase the Company's outstanding securities.

ITEM 6. EXHIBITS.

3.1	Amended and Restated Certificate of Incorporation of CNO Financial Group, Inc., effective July 31, 2019.
31.1	Certification Pursuant to the Securities Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to the Securities Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURE

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 thereunto duly authorized.

CNO FINANCIAL GROUP, INC.

Dated: August 6, 2019

By: /s/ John R. Kline

John R. Kline
Senior Vice President and Chief Accounting Officer
(authorized officer and principal accounting officer)

Exhibit 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

CNO FINANCIAL GROUP, INC.

ARTICLE ONE

The name of the Corporation is CNO Financial Group, Inc.

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

Section 1. Authorized Shares . The total number of shares of capital stock which the Corporation has authority to issue is 8,265,000,000 shares, consisting of:

(a) 265,000,000 shares of Preferred Stock, par value $.01 per share (" Preferred Stock "); and

(b) 8,000,000,000 shares of Common Stock, par value $.01 per share (" Common Stock ").

The Preferred Stock and the Common Stock shall have the rights, preferences and limitations set forth below.

Section 2. Preferred Stock . The Preferred Stock may be issued from time to time and in one or more series. The Board of Directors of the Corporation is authorized to determine or alter the powers, preferences and rights, and the qualifications, limitations and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, and within the limitations or restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase or decrease (but not below

the number of shares of any such series of Preferred Stock then outstanding) the number of shares of any such series of Preferred Stock, and to fix the number of shares of any series of Preferred Stock. In the event that the number of shares of any series of Preferred Stock shall be so decreased, the shares constituting such decrease shall resume the status which such shares had prior to the adoption of the resolution originally fixing the number of shares of such series of Preferred Stock subject to the requirements of applicable law.

Section 3. Common Stock.

(a) Dividends. Except as otherwise provided by the Delaware General Corporation Law or this Amended and Restated Certificate of Incorporation (the "Certificate"), the holders of Common Stock, subject to the rights of holders of any series of Preferred Stock, shall share ratably in all dividends as may from time to time be declared by the Board of Directors in respect of the Common Stock out of funds legally available for the payment thereof and payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise after payment of liabilities and liquidation preference on any outstanding Preferred Stock.

(b) Preemptive Rights. No holder of Common Stock shall have any preemptive rights with respect to the Common Stock or any other securities of the Corporation, or to any obligations convertible (directly or indirectly) into securities of the Corporation whether now or hereafter authorized.

(c) Voting Rights. Except as otherwise provided by the Delaware General Corporation Law or this Certificate and subject to the rights of holders of any series of Preferred Stock, all of the voting power of the stockholders of the Corporation shall be vested in the holders of the Common Stock, and each holder of Common Stock shall have one vote for each share held by such holder on all matters voted upon by the stockholders of the Corporation.

Section 4. Limitations on Voting Rights.

Notwithstanding the voting rights granted to holders of Common Stock and Preferred Stock (collectively, the "Stock") elsewhere in this Certificate or in any certificate of designations with respect to Preferred Stock, the voting rights of any Stock held by any holder as of the effective date of the Reorganizing Debtors' Joint Plan of Reorganization pursuant to Chapter 11 of the United States Bankruptcy Code, dated March 18, 2003, as amended from time to time shall be automatically reduced, with respect to any particular stockholder vote or action by written consent, to the extent, if any, required to avoid a presumption of control arising from the beneficial ownership of voting securities under the insurance statutes or regulations applicable to any direct or indirect insurance company subsidiary of the Corporation, provided that no such reduction shall (without such holder's written consent) reduce such voting rights (i) by more than the minimum amount required to reduce such voting rights to less than 10% of the aggregate voting rights of all Stock entitled to vote or consent with respect to such vote or action, or (ii) to the extent that such holder's acquisition of control or deemed acquisition of control of the direct and indirect insurance company subsidiaries of the Corporation has been approved under, or is exempt from the approval requirements of, all insurance statutes and regulations applicable to the direct and indirect insurance company subsidiaries of the Corporation.

ARTICLE FIVE

The Corporation is to have perpetual existence.

ARTICLE SIX

Except as otherwise provided in this Certificate (including any duly authorized certificate of designation of any series of Preferred Stock), Directors shall be elected in accordance with the procedures and requirements prescribed by the Bylaws of the Corporation. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE SEVEN

Subject to any rights of the holders of any series of Preferred Stock pursuant to a duly authorized certificate of designation to elect additional Directors under specified circumstances, the number of directors which shall constitute the Board of Directors shall initially be established at seven and, thereafter, shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the total number of Directors then in office.

ARTICLE EIGHT

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE NINE

Section 1. Limitation of Liability .

(a) To the fullest extent permitted by the Delaware General Corporation Law as it now exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), and except as otherwise provided in the Corporation’s Bylaws, no Director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages arising from a breach of fiduciary duty owed to the Corporation or its stockholders.

(b) Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

Section 2. Right to Indemnification . Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including involvement as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “ proceeding ”), by reason of the fact that he or she is or was a Director, officer or employee of the Corporation or a wholly owned subsidiary of the Corporation or, while a Director, officer or employee of the Corporation or a wholly owned subsidiary of the Corporation, is or was serving

at the request of the Corporation or a wholly owned subsidiary of the Corporation as a Director, officer, employee, partner, member, manager, trustee, fiduciary or agent of another corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise, including service with respect to an employee benefit plan (an " indemnitee ") shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, employee, partner, member, trustee, fiduciary or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 2 of this ARTICLE NINE shall be a contract right and shall include the obligation of the Corporation to pay the expenses incurred in defending any such proceeding in advance of its final disposition (an " advance of expenses "); provided, however, that, if and to the extent that the Delaware General Corporation Law requires, an advance of expenses incurred by an indemnitee in his or her capacity as a Director or officer shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise.

ARTICLE TEN

Section 1. Classification of Directors . At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the next succeeding annual meeting and until their successors have been duly elected and qualified; except that if any such election shall be not so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law.

Section 2. Removal . Subject to the rights, if any, of the holders of any series of Preferred Stock to remove directors (with or without cause) and fill the vacancies thereby created (as specified in any duly authorized certificate of designation of any series of Preferred Stock), (i) prior to the second annual meeting of stockholders, no Director may be removed from office without cause and without the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock entitled to vote generally in the election of Directors voting together as a single class and (ii) thereafter, a Director may be removed with or without cause with the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock entitled to vote generally in the election of Directors voting together as a single class; provided, however, that if the holders of any class or series of capital stock are entitled by the provisions of any duly authorized certificate of designation to elect one or more Directors, such Director or Directors so elected may be removed with or without cause by the vote of the holders of a majority of the outstanding shares of that class or series entitled to vote.

Section 3. Vacancies. Subject to the rights of the holders of any series of Preferred Stock to remove Directors and fill the vacancies thereby created (as specified in any duly authorized certificate of designation of any series of Preferred Stock), vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, at any meeting of the Board of Directors or by the stockholders. A person so elected by the Board of Directors to fill a vacancy shall hold office until the next succeeding annual meeting of stockholders of the Corporation and until his or her successor shall have been duly elected and qualified.

ARTICLE ELEVEN

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE TWELVE

The stockholders of the Corporation may take any action by written consent in lieu of a meeting. Subject to the rights of the holders of any series of Preferred Stock as specified in any duly authorized certificate of designation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office, by the chairman of the Board of Directors or the chief executive officer of the Corporation, or by the secretary of the Corporation upon request in writing of the stockholder or stockholders holding of record at least 25% of the voting power of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting.

ARTICLE THIRTEEN

The Corporation expressly elects not to be governed by Section 203 of the Delaware General Corporation Law.

ARTICLE FOURTEEN

The Corporation shall not issue any class of non-voting equity securities unless and solely to the extent permitted by Section 1123(a)(6) of the United States Bankruptcy Code (the "Bankruptcy Code") as in effect on the date of filing this Certificate with the Secretary of State of the State of Delaware; provided, however, that this ARTICLE FOURTEEN: (a) will have no further force and effect beyond that required under Section 1123(a)(6) of the Bankruptcy Code; (b) will have such force and effect, if any, only for so long as Section 1123(a)(6) of the Bankruptcy Code is in effect and applicable to the Corporation; and (c) in all events may be amended or eliminated in accordance with applicable law from time to time in effect.

ARTICLE FIFTEEN

Section 1. Definitions . As used in this ARTICLE FIFTEEN, the following capitalized terms have the following meanings when used herein with initial capital letters (and any references to any portions of Treasury Regulation Sections 1.382-2T, 1.382-3 and 1.382-4 shall include any successor provisions):

" *4.99% Stockholder* " means any Person with a Percentage Stock Ownership of 4.99% or more.

" *4.99% Transaction* " means any Transfer described in clause (x) or (y) of Section 2 of this ARTICLE FIFTEEN.

" *Affiliate* " and " *Associate* " mean, with respect to any Person, any other Person whose common stock would be deemed to be (i) constructively owned by such first Person, or (ii) otherwise aggregated with the shares owned by such first Person (other than aggregation solely by reason of such shares being part of the same "public group" as defined under Treasury Regulation Section 1.382-2T(f)(13), in each case pursuant to the provisions of Section 382 of the Code, or any successor or replacement provision, and the Treasury Regulations promulgated thereunder.

" *Agent* " has the meaning set forth in Section 5(a) of this ARTICLE FIFTEEN.

A Person shall be deemed the " *beneficial owner* " of, shall be deemed to have " *beneficial ownership* " of and shall be deemed to " *beneficially own* " any securities which such Person: (i) directly owns, or (ii) would be deemed to own constructively pursuant to Section 382 of the Code and the Treasury Regulations promulgated thereunder (including as a result of the deemed exercise of an "option" pursuant to Treasury Regulation Section 1.382-4(d) and including, without duplication, Stock, as applicable, owned by any Affiliate or Associate of such Person); provided , that , a Person shall not be treated as "beneficially owning" Stock pursuant to clause (i) above to the extent that such Person is acting solely in a fiduciary capacity in respect of such Stock and does not have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, Stock.

" *Board of Directors* " means the board of directors of the Corporation.

" *Code* " means the United States Internal Revenue Code of 1986, as amended from time to time, or any comparable successor statute, and the Treasury Regulations issued thereunder.

" *Common Stock* " means the common stock, par value $0.01 per share, of the Corporation.

" *Corporation Security* " or " *Corporation Securities* " means (i) shares of Common Stock, (ii) shares of Preferred Stock (other than preferred stock described in Section 1504(a)(4) of the Code), (iii) warrants, rights, or options (including options within the meaning of Treasury

Regulation Section 1.382-2T(h)(4)(v)) to purchase Securities of the Corporation and (iv) any Stock.

" *Effective Date* " means the later of (i) July 31, 2019 or (ii) the date of filing of this Certificate of Amendment of Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

" *Excess Securities* " has the meaning given such term in Section 4 of this ARTICLE FIFTEEN.

" *Expiration Date* " means the earlier of (i) July 31, 2022, (ii) the repeal of Section 382 of the Code or any successor statute if the Board of Directors determines that this ARTICLE FIFTEEN is no longer necessary for the preservation of Tax Benefits, (iii) the beginning of a taxable year of the Corporation to which the Board of Directors determines that no Tax Benefits may be carried forward or (iv) such date as the Board of Directors shall fix in accordance with Section 12 of this ARTICLE FIFTEEN.

" *Percentage Stock Ownership* " means the percentage Stock Ownership interest of any Person or group (as the context may require) for purposes of Section 382 of the Code as determined in accordance with the Treasury Regulation Sections 1.382-2T(g), (h), (j) and (k) and 1.382-4 or any successor provision.

" *Person* " means any individual, firm, corporation, business trust, joint stock company, partnership, trust association, limited liability company, limited partnership, or other entity, or any group of Persons making a "coordinated acquisition" of Stock or otherwise treated as an entity within the meaning of Treasury Regulation Section 1.382-3(a)(1)(i), and shall include any successor (by merger or otherwise) of any such entity; provided , however , that a Person shall not mean a Public Group.

" *Preferred Stock* " means the preferred stock, par value $0.01 per share, of the Corporation.

" *Prohibited Distributions* " means any and all dividends or other distributions paid by the Corporation with respect to any Excess Securities received by a Purported Transferee.

" *Prohibited Transfer* " means any Transfer or purported Transfer of Corporation Securities to the extent that such Transfer is prohibited and/or void under this ARTICLE FIFTEEN.

" *Public Group* " has the meaning set forth in Treasury Regulation Section 1.382-2T(f)(13).

" *Purported Transferee* " has the meaning set forth in Section 4 of this ARTICLE FIFTEEN.

" *Securities* " and " *Security* " each has the meaning set forth in Section 7 of this ARTICLE FIFTEEN.

“ *Stock* ” means any interest that would be treated as “stock” of the Corporation for purposes of Section 382 of the Code (including pursuant to Treasury Regulation Section 1.382-2T(f)(18)).

“ *Stock Ownership* ” means any direct or indirect ownership of Stock, including any ownership by virtue of application of constructive ownership rules, with such direct, indirect, and constructive ownership determined under the provisions of Section 382 of the Code.

“ *Subsidiary* ” or “ *Subsidiaries* ” of any Person means any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other Persons performing similar functions are beneficially owned, directly or indirectly, by such Person, and any corporation or other entity that is otherwise controlled by such Person.

“ *Tax Benefits* ” means the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a “net unrealized built-in loss” of the Corporation or any of its Subsidiaries, within the meaning of Section 382 of the Code.

“ *Transfer* ” means, any direct or indirect sale, transfer, assignment, conveyance, pledge or other disposition or other action taken by a Person, other than the Corporation, that alters the Percentage Stock Ownership of any Person or group. A Transfer also shall include the creation or grant of an option (including an option within the meaning of Treasury Regulation Sections 1.382-2T(h)(4)(v) and 1.382-4). For the avoidance of doubt, a Transfer shall not include the creation or grant of an option by the Corporation, nor shall a Transfer include the issuance of Stock by the Corporation.

“ *Transferee* ” means any Person to whom Corporation Securities are Transferred.

“ *Treasury Regulations* ” means the regulations, including temporary regulations or any successor regulations promulgated under the Code, as amended from time to time.

Section 2. Transfer and Ownership Restrictions .

(a) In order to preserve the Tax Benefits, from and after the Effective Date of this ARTICLE FIFTEEN, any attempted Transfer of Corporation Securities prior to the Expiration Date and any attempted Transfer of Corporation Securities pursuant to an agreement entered into prior to the Expiration Date shall be prohibited and void *ab initio* (x) if the transferor is a 4.99% Stockholder or (y) to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (i) any Person or group of Persons would become a 4.99% Stockholder or (ii) the Percentage Stock Ownership in the Corporation of any 4.99% Stockholder would be increased. The prior sentence is not intended to prevent Corporation Securities from being DTC-eligible and shall not preclude the settlement of any transactions in Corporation Securities entered into through the facilities of a national securities exchange or any national securities quotation system; provided that if the settlement of the transaction would result in a

Prohibited Transfer, such Transfer shall nonetheless be a Prohibited Transfer subject to all of the provisions and limitations set forth in this ARTICLE FIFTEEN.

(b) The Corporation may require as a condition to the registration of the Transfer of any Corporation Securities or the payment of any distribution on any Corporation Securities that the proposed Transferee or payee furnish to the Corporation all information reasonably requested by the Corporation with respect to all the direct or indirect ownership interests in such Corporation Securities. The Corporation may make such arrangements or issue such instructions to its stock transfer agent as may be determined by the Board of Directors to be necessary or advisable to implement this ARTICLE FIFTEEN, including, without limitation, authorizing such transfer agent to require an affidavit from a proposed Transferee regarding such Person's actual and constructive ownership of Stock and other evidence that a Transfer will not be prohibited by this ARTICLE FIFTEEN as a condition to registering any Transfer.

Section 3. Waiver of Transfer and Ownership Restrictions . The restrictions set forth in Section 2(a) of this ARTICLE FIFTEEN shall not apply to a Transfer that is a 4.99% Transaction if the transferor or the Transferee obtains the written approval of the Board of Directors or a duly authorized committee thereof. The Board of Directors may impose any conditions that it deems reasonable and appropriate in connection with such approval, including, without limitation, restrictions on the ability of any Transferee to Transfer Stock acquired through a Transfer. Approvals of the Board of Directors hereunder may be given prospectively or retroactively. The Board of Directors, to the fullest extent permitted by law, may exercise the authority granted by this ARTICLE FIFTEEN through duly authorized officers or agents of the Corporation. Nothing in this Section 3 shall be construed to limit or restrict the Board of Directors in the exercise of its fiduciary duties under applicable law.

Section 4. Excess Securities . No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of such a Prohibited Transfer (the " *Purported Transferee* ") shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the " *Excess Securities* "). Until the Excess Securities are acquired by another Person in a Transfer that is not a Prohibited Transfer, the Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any, and the Excess Securities shall be deemed to remain with the transferor unless and until the Excess Securities are transferred to the Agent pursuant to Section 5 of this ARTICLE FIFTEEN or until an approval is obtained under Section 3 of this ARTICLE FIFTEEN. After the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, the Corporation Securities shall cease to be Excess Securities. For this purpose, any Transfer of Excess Securities not in accordance with the provisions of this Section 4 or Section 5 of this ARTICLE FIFTEEN shall also be a Prohibited Transfer. For the avoidance doubt, all of the Corporation Securities which are the subject of a Prohibited Transfer shall constitute Excess Securities.

Section 5. Transfer to Agent .

(a) If the Board of Directors determines that a Transfer of Corporation Securities constitutes a Prohibited Transfer, then, upon written demand by the Corporation sent within thirty (30) days of the date on which the Board of Directors determines that the attempted Transfer would result in Excess Securities, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any Prohibited Distributions, to an agent designated by the Board of Directors (the " *Agent* "). The Agent shall thereupon sell to a buyer or buyers, which may include the Corporation, the Excess Securities transferred to it in one or more arm's-length transactions (on the public securities market on which such Excess Securities are traded, if possible, or otherwise privately); provided , however , that any such sale must not constitute a Prohibited Transfer and provided , further , that the Agent shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale or sales within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities, would otherwise adversely affect the value of the Corporation Securities or would be in violation of applicable securities laws.

(b) If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported Transferee to retain a portion of such sale proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section 6 of this ARTICLE FIFTEEN if the Agent rather than the Purported Transferee had resold the Excess Securities.

Section 6. Application of Proceeds and Prohibited Distributions . The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee has previously resold the Excess Securities, any amounts received by it from a Purported Transferee, together, in either case, with any Prohibited Distributions, as follows: (a) first, such amounts shall be paid to the Agent to the extent necessary to cover its costs and expenses incurred in connection with its duties hereunder; (b) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or the fair market value at the time of the Transfer, in the event the purported Transfer of the Excess Securities was, in whole or in part, a gift, inheritance or similar Transfer) which amount shall be determined at the discretion of the Board of Directors; and (c) third, any remaining amounts shall be paid to one or more organizations qualifying under Section 501(c)(3) of the Code (or any comparable successor provision) selected by the Board of Directors. The Purported Transferee of Excess Securities shall have no claim, cause of action or any other recourse whatsoever against any transferor of Excess Securities. The Purported Transferee's sole right with respect to such shares shall be limited to the amount payable to the Purported Transferee pursuant to this Section 6. In no event shall the proceeds of any sale of Excess Securities pursuant to this Section 6 inure to the benefit of the Corporation or the Agent, except to the extent used to cover costs and expenses incurred by Agent in performing its duties hereunder.

Section 7. Modification of Remedies for Certain Indirect Transfers . In the event of any Transfer which does not involve a transfer of securities of the Corporation within the meaning of

Delaware law (" *Securities* ," and individually, a " *Security* ") but which would cause a 4.99% Stockholder to violate a restriction on Transfers provided for in this ARTICLE FIFTEEN, the application of Section 5 and Section 6 of this ARTICLE FIFTEEN shall be modified as described in this Section 7. In such case, no such 4.99% Stockholder shall be required to dispose of any interest that is not a Security, but such 4.99% Stockholder and/or any Person whose ownership of Securities is attributed to such 4.99% Stockholder shall be deemed to have disposed of and shall be required to dispose of sufficient Securities (which Securities shall be disposed of in the inverse order in which they were acquired) to cause such 4.99% Stockholder, following such disposition, not to be in violation of this ARTICLE FIFTEEN. Such disposition shall be deemed to occur simultaneously with the Transfer giving rise to the application of this provision, and such number of Securities that are deemed to be disposed of shall be considered Excess Securities and shall be disposed of through the Agent as provided in Sections 5 and 6 of this ARTICLE FIFTEEN, except that the maximum aggregate amount payable either to such 4.99% Stockholder, or to such other Person that was the direct holder of such Excess Securities, in connection with such sale shall be the fair market value of such Excess Securities at the time of the purported Transfer. All expenses incurred by the Agent in disposing of such Excess Securities shall be paid out of any amounts due such 4.99% Stockholder or such other Person. The purpose of this Section 7 is to extend the restrictions in Sections 2 and 5 of this ARTICLE FIFTEEN to situations in which there is a 4.99% Transaction without a direct Transfer of Securities, and this Section 7, along with the other provisions of this ARTICLE FIFTEEN, shall be interpreted to produce the same results, with differences as the context requires, as a direct Transfer of Corporation Securities.

Section 8. Legal Proceedings; Prompt Enforcement . If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof to the Agent within thirty (30) days from the date on which the Corporation makes a written demand pursuant to Section 5 of this ARTICLE FIFTEEN (whether or not made within the time specified in Section 5 of this ARTICLE FIFTEEN), then the Corporation may take all such actions as it deems appropriate to enforce the provisions hereof, including the institution of legal proceedings to compel the surrender. Nothing in this Section 8 shall (a) be deemed inconsistent with any Transfer of the Excess Securities provided in this ARTICLE FIFTEEN being void *ab initio* , (b) preclude the Corporation in its discretion from immediately bringing legal proceedings without a prior demand or (c) cause any failure of the Corporation to act within the time periods set forth in Section 5 of this ARTICLE FIFTEEN to constitute a waiver or loss of any right of the Corporation under this ARTICLE FIFTEEN. The Board of Directors may authorize such additional actions as it deems advisable to give effect to the provisions of this ARTICLE FIFTEEN.

Section 9. Liability . To the fullest extent permitted by law, any stockholder subject to the provisions of this ARTICLE FIFTEEN who knowingly violates the provisions of this ARTICLE FIFTEEN and any Persons controlling, controlled by or under common control with such stockholder shall be jointly and severally liable to the Corporation for, and shall indemnify and hold the Corporation harmless against, any and all damages suffered as a result of such violation, including but not limited to damages resulting from a reduction in, or elimination of, the Corporation's ability to utilize its Tax Benefits, and attorneys' and auditors' fees incurred in connection with such violation.

Section 10. Obligation to Provide Information. As a condition to the registration of the Transfer of any Stock, any Person who is a beneficial, legal or record holder of Stock, and any proposed Transferee and any Person controlling, controlled by or under common control with the proposed Transferee, shall provide such information as the Corporation may request from time to time in order to determine compliance with this ARTICLE FIFTEEN or the status of the Tax Benefits of the Corporation.

Section 11. Legends. The Board of Directors may require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to the restrictions on transfer and ownership contained in this ARTICLE FIFTEEN bear the following legend:

> "THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED (THE "AMENDED AND RESTATED CERTIFICATE OF INCORPORATION"), OF THE CORPORATION CONTAINS RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION) OF STOCK OF THE CORPORATION (INCLUDING THE CREATION OR GRANT OF CERTAIN OPTIONS, RIGHTS AND WARRANTS) WITHOUT THE PRIOR AUTHORIZATION OF THE BOARD OF DIRECTORS OF THE CORPORATION (THE "BOARD OF DIRECTORS") IF SUCH TRANSFER AFFECTS THE PERCENTAGE OF STOCK OF THE CORPORATION (WITHIN THE MEANING OF SECTION 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER), THAT IS TREATED AS OWNED BY A 4.99% STOCKHOLDER (AS DEFINED IN THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION). IF THE TRANSFER RESTRICTIONS ARE VIOLATED, THEN THE TRANSFER WILL BE VOID *AB INITIO* AND THE PURPORTED TRANSFEREE OF THE STOCK WILL BE REQUIRED TO TRANSFER THE EXCESS SECURITIES (AS DEFINED IN THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION) TO THE CORPORATION'S AGENT. IN THE EVENT OF A TRANSFER WHICH DOES NOT INVOLVE SECURITIES OF THE CORPORATION WITHIN THE MEANING OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE ("SECURITIES") BUT WHICH WOULD VIOLATE THE TRANSFER RESTRICTIONS, THE PURPORTED TRANSFEREE (OR THE RECORD OWNER) OF THE SECURITIES WILL BE REQUIRED TO TRANSFER SUFFICIENT SECURITIES PURSUANT TO THE TERMS PROVIDED FOR IN THE CORPORATION'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO CAUSE THE 4.99% STOCKHOLDER TO NO LONGER BE IN VIOLATION OF THE TRANSFER RESTRICTIONS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS, UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL EXECUTIVE OFFICE."

The Board of Directors may also require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to conditions imposed by the Board of Directors

under Section 3 of this ARTICLE FIFTEEN also bear a conspicuous legend referencing the applicable restrictions.

Section 12. Authority of Board of Directors .

(a) The Board of Directors shall have the power to determine all matters necessary for assessing compliance with this ARTICLE FIFTEEN, including, without limitation, determining (i) the identification of 4.99% Stockholders, (ii) whether a Transfer is a 4.99% Transaction or a Prohibited Transfer, (iii) whether it shall grant a waiver in accordance with Section 3 of this ARTICLE FIFTEEN, (iv) the Percentage Stock Ownership in the Corporation of any 4.99% Stockholder, (v) whether an instrument constitutes a Corporation Security, (vi) the amount (or fair market value) due to a Purported Transferee pursuant to Section 6 of this ARTICLE FIFTEEN, and (vii) any other matters which the Board of Directors deems relevant; and the good faith determination of the Board of Directors on such matters shall be conclusive and binding for all the purposes of this ARTICLE FIFTEEN. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind by-laws, regulations and procedures of the Corporation not inconsistent with the provisions of this ARTICLE FIFTEEN for purposes of determining whether any Transfer of Corporation Securities would jeopardize the Corporation's ability to preserve and use the Tax Benefits and for the orderly application, administration and implementation of this ARTICLE FIFTEEN.

(b) Nothing contained in this ARTICLE FIFTEEN shall limit the authority of the Board of Directors to take such other action to the extent permitted by law as it deems necessary or advisable to protect the Corporation and its stockholders in preserving the Tax Benefits; provided that the Board of Directors shall not extend the Expiration Date. Without limiting the generality of the foregoing, in the event of a change in law making one or more of the following actions necessary or desirable, the Board of Directors may, by adopting a written resolution, (i) accelerate the Expiration Date, (ii) modify the percentage Stock Ownership interest in the Corporation or the Persons or groups covered by this ARTICLE FIFTEEN, (iii) modify the definitions of any terms set forth in this ARTICLE FIFTEEN or (iv) modify the terms of this ARTICLE FIFTEEN as appropriate, in each case, in order to prevent an ownership change for purposes of Section 382 of the Code as a result of any changes in applicable Treasury Regulations or otherwise; provided , however , that the Board of Directors shall not cause there to be such acceleration or modification unless it determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve the Tax Benefits or that the continuation of these restrictions is no longer reasonably necessary for the preservation of the Tax Benefits. Stockholders of the Corporation shall be notified of such determination through a filing with the Securities and Exchange Commission or such other method of notice as the Secretary of the Corporation shall deem appropriate.

(c) In the case of an ambiguity in the application of any of the provisions of this ARTICLE FIFTEEN, including any definition used herein, the Board of Directors shall have the power to determine the application of such provisions with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances. In the event this ARTICLE FIFTEEN requires an action by the Board of Directors but fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this ARTICLE FIFTEEN. All such actions,

calculations, interpretations and determinations which are done or made by the Board of Directors in good faith shall be conclusive and binding on the Corporation, the Agent, and all other parties for all other purposes of this ARTICLE FIFTEEN. The Board of Directors may delegate all or any portion of its duties and powers under this ARTICLE FIFTEEN to a committee of the Board of Directors as it deems necessary or advisable and, to the fullest extent permitted by law, may exercise the authority granted by this ARTICLE FIFTEEN through duly authorized officers or agents of the Corporation. Nothing in this ARTICLE FIFTEEN shall be construed to limit or restrict the Board of Directors in the exercise of its fiduciary duties under applicable law.

Section 13. Reliance. To the fullest extent permitted by law, the Corporation and the members of the Board of Directors shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer, the chief accounting officer or the corporate controller of the Corporation or of the Corporation's legal counsel, independent auditors, transfer agent, investment bankers or other employees and agents in making the determinations and findings contemplated by this ARTICLE FIFTEEN, and the members of the Board of Directors shall not be responsible for any good faith errors made in connection therewith. For purposes of determining the existence and identity of, and the amount of any Corporation Securities owned by any stockholder, the Corporation is entitled to rely on the existence and absence of filings of Schedule 13D or 13G under the Securities Exchange Act of 1934, as amended (or similar filings), as of any date, subject to its actual knowledge of the ownership of Corporation Securities.

Section 14. Benefits of This ARTICLE FIFTEEN. Nothing in this ARTICLE FIFTEEN shall be construed to give to any Person other than the Corporation or the Agent any legal or equitable right, remedy or claim under this ARTICLE FIFTEEN. This ARTICLE FIFTEEN shall be for the sole and exclusive benefit of the Corporation and the Agent.

Section 15. Severability. The purpose of this ARTICLE FIFTEEN is to facilitate the Corporation's ability to maintain or preserve its Tax Benefits. If any provision of this ARTICLE FIFTEEN or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this ARTICLE FIFTEEN.

Section 16. Waiver. With regard to any power, remedy or right provided herein or otherwise available to the Corporation or the Agent under this ARTICLE FIFTEEN, (a) no waiver will be effective unless expressly contained in a writing signed by the waiving party; and (b) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise, or other indulgence.

Exhibit 31.1

CERTIFICATION

I, Gary C. Bhojwani, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNO Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Gary C. Bhojwani
Gary C. Bhojwani
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Paul H. McDonough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNO Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Paul H. McDonough
Paul H. McDonough
Executive Vice President
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CNO Financial Group, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary C. Bhojwani, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary C. Bhojwani
Gary C. Bhojwani
Chief Executive Officer

August 6, 2019

A signed original of this written statement required by Section 906 has been provided to CNO Financial Group, Inc. and will be retained by CNO Financial Group, Inc. and furnished to the Securities and Exchange Commission upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CNO Financial Group, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul H. McDonough, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul H. McDonough
Paul H. McDonough
Executive Vice President
and Chief Financial Officer

August 6, 2019

A signed original of this written statement required by Section 906 has been provided to CNO Financial Group, Inc. and will be retained by CNO Financial Group, Inc. and furnished to the Securities and Exchange Commission upon request.