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 March 31, 2020

☐ 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 April 28, 2020: 143,617,498

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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

	March 31, 2020	December 31, 2019
Investments:		
Fixed maturities, available for sale, at fair value (net of allowance for credit losses of $19.9 at March 31, 2020; amortized cost: March 31, 2020 - $19,420.2; December 31, 2019 - $19,179.5)	$ 20,379.1	$ 21,295.2
Equity securities at fair value (cost: March 31, 2020 - $65.9; December 31, 2019 - $44.2)	50.1	44.1
Mortgage loans (net of allowance for credit losses of $8.3 at March 31, 2020)	1,484.1	1,566.1
Policy loans	124.7	124.5
Trading securities	227.8	243.9
Investments held by variable interest entities (net of allowance for credit losses of $37.7 at March 31, 2020; amortized cost: March 31, 2020 - $1,216.4; December 31, 2019 - $1,206.3)	1,038.1	1,188.6
Other invested assets	953.3	1,118.5
Total investments	24,257.2	25,580.9
Cash and cash equivalents - unrestricted	482.0	580.0
Cash and cash equivalents held by variable interest entities	68.5	74.7
Accrued investment income	213.0	205.9
Present value of future profits	282.2	275.4
Deferred acquisition costs	1,398.6	1,215.5
Reinsurance receivables (net of allowance for credit losses of $4.0 at March 31, 2020)	4,727.5	4,785.7
Income tax assets, net	703.2	432.6
Assets held in separate accounts	3.2	4.2
Other assets	599.6	476.0
Total assets	$ 32,735.0	$ 33,630.9

(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

	March 31, 2020	December 31, 2019
Liabilities:		
Liabilities for insurance products:		
Policyholder account liabilities	$ 12,138.1	$ 12,132.3
Future policy benefits	11,429.9	11,498.5
Liability for policy and contract claims	510.7	522.3
Unearned and advanced premiums	251.0	260.5
Liabilities related to separate accounts	3.2	4.2
Other liabilities	850.7	750.2
Investment borrowings	1,643.9	1,644.3
Borrowings related to variable interest entities	1,152.3	1,152.5
Notes payable – direct corporate obligations	989.4	989.1
Total liabilities	28,969.2	28,953.9
Commitments and Contingencies		
Shareholders' equity:		
Common stock ($0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: March 31, 2020 – 143,610,046; December 31, 2019 – 148,084,178)	1.4	1.5
Additional paid-in capital	2,688.5	2,767.3
Accumulated other comprehensive income	595.2	1,372.5
Retained earnings	480.7	535.7
Total shareholders' equity	3,765.8	4,677.0
Total liabilities and shareholders' equity	$ 32,735.0	$ 33,630.9

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 March 31, 2020	Three months ended March 31, 2019
Revenues:		
Insurance policy income	$ 628.7	$ 619.3
Net investment income:		
General account assets	280.3	268.8
Policyholder and other special-purpose portfolios	(110.7)	87.0
Realized investment gains (losses):		
Net realized investment gains (losses)	(60.1)	18.3
Change in allowance for credit losses and other-than-temporary impairment losses (a)	(55.4)	(2.2)
Total realized gains (losses)	(115.5)	16.1
Fee revenue and other income	34.4	31.8
Total revenues	717.2	1,023.0
Benefits and expenses:		
Insurance policy benefits	490.8	623.5
Interest expense	33.4	41.0
Amortization	50.2	58.2
Other operating costs and expenses	213.8	234.7
Total benefits and expenses	788.2	957.4
Income (loss) before income taxes	(71.0)	65.6
Income tax expense (benefit):		
Tax expense (benefit) on period income	(15.8)	13.8
Valuation allowance for deferred tax assets and other tax items	(34.0)	—
Net income (loss)	$ (21.2)	$ 51.8
Earnings per common share:		
Basic:		
Weighted average shares outstanding	145,829,000	160,948,000
Net income (loss)	$ (.15)	$ .32
Diluted:		
Weighted average shares outstanding	145,829,000	162,189,000
Net income (loss)	$ (.15)	$ .32

(a) No portion of the other-than-temporary impairments recognized in the 2019 period 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 March 31,	
	2020	2019
Net income (loss)	$ (21.2)	$ 51.8
Other comprehensive income, before tax:		
Unrealized gains (losses) on investments:	(1,325.4)	690.2
Adjustment to present value of future profits and deferred acquisition costs	136.3	(50.5)
Amount related to premium deficiencies assuming the net unrealized gains (losses) had been realized	135.5	(31.5)
Reclassification adjustments:		
For net realized investment losses included in net income (loss)	65.6	1.1
For amortization of the present value of future profits and deferred acquisition costs related to net realized investment gains (losses) included in net income (loss)	(3.4)	.2
Other comprehensive income (loss) before tax	(991.4)	609.5
Income tax (expense) benefit related to items of accumulated other comprehensive income (loss)	214.1	(132.3)
Other comprehensive income (loss), net of tax	(777.3)	477.2
Comprehensive income (loss)	$ (798.5)	$ 529.0

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, 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	—	—	—	—	51.8	51.8
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $132.3)	—	—	—	477.1	—	477.1
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
Common stock repurchased	(2,893)	—	(47.0)	—	—	(47.0)
Dividends on common stock	—	—	—	—	(16.1)	(16.1)
Employee benefit plans, net of shares used to pay tax withholdings	646	—	4.2	—	—	4.2
Balance, March 31, 2019	159,955	$ 1.6	$ 2,952.2	$ 654.9	$ 229.2	$ 3,837.9
Balance, December 31, 2019	148,084	$ 1.5	$ 2,767.3	$ 1,372.5	$ 535.7	$ 4,677.0
Cumulative effect of accounting change	—	—	—	—	(17.8)	(17.8)
Balance, January 1, 2020	148,084	1.5	2,767.3	1,372.5	517.9	4,659.2
Net loss	—	—	—	—	(21.2)	(21.2)
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of $214.1)	—	—	—	(777.3)	—	(777.3)
Common stock repurchased	(5,083)	(.1)	(82.9)	—	—	(83.0)
Dividends on common stock	—	—	—	—	(16.0)	(16.0)
Employee benefit plans, net of shares used to pay tax withholdings	609	—	4.1	—	—	4.1
Balance, March 31, 2020	143,610	$ 1.4	$ 2,688.5	$ 595.2	$ 480.7	$ 3,765.8

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

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from operating activities:		
Insurance policy income	$ 575.3	$ 581.2
Net investment income	285.7	272.3
Fee revenue and other income	34.4	31.8
Insurance policy benefits	(429.2)	(407.7)
Interest expense	(20.3)	(28.9)
Deferrable policy acquisition costs	(68.2)	(69.6)
Other operating costs	(250.1)	(241.8)
Income taxes	(1.9)	5.0
Net cash from operating activities	125.7	142.3
Cash flows from investing activities:		
Sales of investments	417.9	1,775.5
Maturities and redemptions of investments	595.7	516.2
Purchases of investments	(1,178.2)	(2,406.5)
Net purchases of trading securities	(6.3)	(.7)
Other	(7.3)	(10.6)
Net cash used by investing activities	(178.2)	(126.1)
Cash flows from financing activities:		
Issuance of common stock	2.7	2.8
Payments to repurchase common stock	(88.0)	(44.0)
Common stock dividends paid	(16.2)	(16.4)
Amounts received for deposit products	404.8	420.1
Withdrawals from deposit products	(354.0)	(342.8)
Issuance of investment borrowings:		
Federal Home Loan Bank	—	50.0
Payments on investment borrowings:		
Federal Home Loan Bank	(.5)	(50.3)
Related to variable interest entities	(.5)	(.9)
Net cash provided (used) by financing activities	(51.7)	18.5
Net increase (decrease) in cash and cash equivalents	(104.2)	34.7
Cash and cash equivalents - unrestricted and held by variable interest entities, beginning of period	654.7	656.6
Cash and cash equivalents - unrestricted and held by variable interest entities, end of period	$ 550.5	$ 691.3

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 2019 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 2020 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, especially when considering the risks and uncertainties associated with the novel coronavirus ("COVID-19") and the impact it may have on our business, results of operations and financial condition. The COVID-19 pandemic has negatively impacted the U.S. and global economies, lowered equity market valuations, created significant volatility and disruption in the capital markets, dramatically increased unemployment levels and has fueled concerns that it will lead to a global recession. Depending on the duration and severity of the pandemic, we foresee the potential for adverse impacts related to, among other things: (i) sales results; (ii) insurance product margin; (iii) net investment income; (iv) invested assets; (v) regulatory capital; (vi) liabilities for insurance products; (vii) deferred acquisition costs; (viii) the present value of future profits; and (ix) income tax assets. The full extent to which COVID-19 will impact our business, results of operations and financial condition remains uncertain.

The balance sheet at December 31, 2019, 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 either net investment income (classified as investment income from policyholder and other special-purpose portfolios) or realized investment gains (losses)).

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 and reinsurance agreements 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.

When an available for sale fixed maturity security's fair value is below the amortized cost, the security is considered impaired. If a portion of the decline is due to credit-related factors, we separate the credit loss component of the impairment from the amount related to all other factors and report the credit loss component in net realized investment gains (losses) limited to the difference between estimated fair value and amortized cost. The impairment related to all other factors (non-credit factors) is reported in accumulated other comprehensive income along with unrealized gains related to fixed maturity investments, available for sale, net of tax and related adjustments. The allowance is adjusted for any additional credit losses and subsequent recoveries. When recognizing an allowance associated with a credit loss, the cost basis is not adjusted. When we determine a security is uncollectable, the remaining amortized cost will be written off.

In determining the credit loss component, we discount the estimated cash flows on a security by security basis. We consider the impact of macroeconomic conditions on inputs used to measure the amount of credit loss. 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 by considering asset type, rating, time to maturity, and applying an expected loss rate.

If we intend to sell an impaired fixed maturity security, available for sale, or identify an impaired fixed maturity security, available for sale, for which is it more likely than not we will be required to sell before anticipated recovery, the difference between the fair value and the amortized cost is included in net realized investment gains (losses) and the fair value becomes the new amortized cost. The new cost basis is not adjusted for any subsequent recoveries in fair value.

The Company reports investment income accrued separately from fixed maturities, available for sale, and has elected not to measure an allowance for credit losses for investment income accrued. Investment income accrued is written off through net investment income at the time the issuer of the bond defaults or is expected to default on payments.

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 March 31, 2020 and December 31, 2019, were as follows (dollars in millions):

	March 31, 2020	December 31, 2019
Net unrealized appreciation (depreciation) on fixed maturity securities, available for sale, on which an other-than-temporary impairment loss has been recognized	$ —	$ 1.1
Net unrealized gains on all other fixed maturity securities, available for sale	—	2,095.3
Net unrealized gains on investments having no allowance for credit losses	957.4	—
Unrealized losses on investments with an allowance for credit losses	(120.8)	—
Adjustment to present value of future profits (a)	(3.9)	(18.9)
Adjustment to deferred acquisition costs	(71.0)	(227.9)
Adjustment to insurance liabilities	—	(96.5)
Deferred income tax liabilities	(166.5)	(380.6)
Accumulated other comprehensive income	$ 595.2	$ 1,372.5

(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 March 31, 2020, the amortized cost, gross unrealized gains, gross unrealized losses, allowance for credit 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	Allowance for credit losses	Estimated fair value
Corporate securities	$ 11,740.8	$ 1,207.8	$ (313.1)	$ (18.2)	$ 12,617.3
United States Treasury securities and obligations of United States government corporations and agencies	150.5	82.1	—	—	232.6
States and political subdivisions	1,970.6	254.7	(3.3)	(.6)	2,221.4
Foreign governments	88.1	6.2	(.7)	(.1)	93.5
Asset-backed securities	1,272.4	14.4	(81.1)	—	1,205.7
Agency residential mortgage-backed securities	72.7	7.6	—	—	80.3
Non-agency residential mortgage-backed securities	1,854.2	48.4	(76.5)	(1.0)	1,825.1
Commercial mortgage-backed securities	1,812.5	14.9	(123.1)	—	1,704.3
Collateralized loan obligations	458.4	—	(59.5)	—	398.9
Total fixed maturities, available for sale	$ 19,420.2	$ 1,636.1	$ (657.3)	$ (19.9)	$ 20,379.1

At December 31, 2019, the amortized cost, gross unrealized gains and losses, estimated fair value and 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	$ 11,403.5	$ 1,544.1	$ (12.3)	$ 12,935.3	$ —
United States Treasury securities and obligations of United States government corporations and agencies	161.4	43.3	(.1)	204.6	—
States and political subdivisions	2,002.1	246.1	(1.5)	2,246.7	—
Foreign governments	82.6	13.0	—	95.6	—
Asset-backed securities	1,352.9	36.8	(1.8)	1,387.9	—
Agency residential mortgage-backed securities	89.2	5.8	—	95.0	—
Non-agency residential mortgage-backed securities	1,871.0	172.3	(1.0)	2,042.3	(.3)
Commercial mortgage-backed securities	1,812.7	75.3	(1.0)	1,887.0	—
Collateralized loan obligations	404.1	.1	(3.4)	400.8	—
Total fixed maturities, available for sale	$ 19,179.5	$ 2,136.8	$ (21.1)	$ 21,295.2	$ (.3)

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at March 31, 2020, 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 loan obligations, commercial mortgage-backed securities, agency residential mortgage-backed securities and non-agency residential mortgage-backed securities, 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	$ 305.2	$ 308.8
Due after one year through five years	1,061.5	1,065.6
Due after five years through ten years	1,371.3	1,375.2
Due after ten years	11,212.0	12,415.2
Subtotal	13,950.0	15,164.8
Structured securities	5,470.2	5,214.3
Total fixed maturities, available for sale	$ 19,420.2	$ 20,379.1

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at December 31, 2019, by contractual maturity.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	$ 282.2	$ 286.0
Due after one year through five years	1,082.2	1,130.8
Due after five years through ten years	1,376.6	1,481.7
Due after ten years	10,908.6	12,583.7
Subtotal	13,649.6	15,482.2
Structured securities	5,529.9	5,813.0
Total fixed maturities, available for sale	$ 19,179.5	$ 21,295.2

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.

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

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at March 31, 2020 (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	$ 2,121.2	$ (230.9)	$ 15.7	$ (8.8)	$ 2,136.9	$ (239.7)
States and political subdivisions	36.8	(1.2)	—	—	36.8	(1.2)
Foreign governments	9.8	(.3)	—	—	9.8	(.3)
Asset-backed securities	903.2	(78.1)	44.7	(3.0)	947.9	(81.1)
Non-agency residential mortgage-backed securities	1,019.4	(71.8)	36.4	(4.7)	1,055.8	(76.5)
Collateralized loan obligations	273.8	(41.8)	116.4	(17.7)	390.2	(59.5)
Commercial mortgage-backed securities	1,256.5	(123.0)	1.8	(.2)	1,258.3	(123.2)
Total fixed maturities, available for sale	$ 5,620.7	$ (547.1)	$ 215.0	$ (34.4)	$ 5,835.7	$ (581.5)

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, 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	$ 305.5	$ (6.6)	$ 96.8	$ (5.7)	$ 402.3	$ (12.3)
United States Treasury securities and obligations of United States government corporations and agencies	7.0	(.1)	3.5	—	10.5	(.1)
States and political subdivisions	110.1	(1.5)	—	—	110.1	(1.5)
Foreign governments	3.4	—	—	—	3.4	—
Asset-backed securities	75.7	(.4)	45.5	(1.4)	121.2	(1.8)
Agency residential mortgage-backed securities	8.8	—	—	—	8.8	—
Non-agency residential mortgage-backed securities	137.4	(.7)	67.2	(.3)	204.6	(1.0)
Collateralized loan obligations	220.7	(1.1)	115.4	(2.3)	336.1	(3.4)
Commercial mortgage-backed securities	394.2	(1.0)	12.8	—	407.0	(1.0)
Total fixed maturities, available for sale	$ 1,262.8	$ (11.4)	$ 341.2	$ (9.7)	$ 1,604.0	$ (21.1)

Based on management's current assessment of investments with unrealized losses at March 31, 2020, 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.

The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the three months ended March 31, 2020 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Non-agency residential mortgage-backed securities	Total
Allowance at January 1, 2020	$ 2.1	$ —	$ —	$ —	$ 2.1
Additions for securities for which credit losses were not previously recorded	17.5	.6	.1	1.0	19.2
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	(1.1)	—	—	—	(1.1)
Reduction for securities sold during the period	(.3)	—	—	—	(.3)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at March 31, 2020	$ 18.2	$ .6	$ .1	$ 1.0	$ 19.9

Mortgage Loans

Mortgage loans are carried at amortized unpaid balance, net of allowance for estimated credit losses. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Payment terms specified for mortgage loans may include a prepayment penalty for unscheduled payoff of the investment. Prepayment penalties are recognized as investment income when received.

The allowance for estimated credit losses is measured using a loss-rate method on an individual asset basis. Inputs used include asset-specific characteristics, current economic conditions, historical loss information and reasonable and supportable forecasts about future economic conditions.

At March 31, 2020, the mortgage loan balance was primarily comprised of commercial mortgage loans. At March 31, 2020, there was one commercial mortgage loan in process of foreclosure with a carrying value of $5.9 million and there were three residential mortgage loans that were noncurrent with a carrying value of $.5 million. Our commercial mortgage loan portfolio is comprised of large commercial mortgage loans. Our loans have risk characteristics that are individually unique. At March 31, 2020, we held residential mortgage loan investments with an amortized cost and fair value of $102.9 million and $103.0 million, respectively.

The following table provides the amortized cost by year of origination and estimated fair value of our outstanding commercial mortgage loans and the underlying collateral as of March 31, 2020 (dollars in millions):

								Estimated fair value	
Loan-to-value ratio (a)	2020	2019	2018	2017	2016	Prior	Total amortized cost	Mortgage loans	Collateral
Less than 60%	$ 14.6	$ 111.6	$ 113.8	$ 107.5	$ 63.3	$ 637.9	$ 1,048.7	$ 1,134.3	$ 2,906.8
60% to less than 70%	19.2	24.0	43.5	—	40.8	103.8	231.3	246.4	361.6
70% to less than 80%	—	—	—	—	—	73.3	73.3	77.0	97.9
80% to less than 90%	—	—	—	—	10.0	26.2	36.2	37.6	41.8
Total	$ 33.8	$ 135.6	$ 157.3	$ 107.5	$ 114.1	$ 841.2	$ 1,389.5	$ 1,495.3	$ 3,408.1

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

The following table summarizes changes in the allowance for credit losses related to mortgage loans for the three months ended March 31, 2020 (dollars in millions):

	Mortgage loans
Allowance for credit losses at January 1, 2020	$ 6.7
Current period provision for expected credit losses	1.6
Initial allowance recognized for purchased financial assets with credit deterioration	—
Write-offs charged against the allowance	—
Recoveries of amounts previously written off	—
Allowance for credit losses at March 31, 2020	$ 8.3

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 March 31, 2020	Three months ended March 31, 2019
Fixed maturity securities, available for sale:		
Gross realized gains on sale	$ 11.9	$ 60.9
Gross realized losses on sale	(21.4)	(51.5)
Change in allowance for credit losses and other-than-temporary impairment losses	(25.9)	(2.2)
Net realized investment gains (losses) from fixed maturities	(35.4)	7.2
Equity securities, including change in fair value (a)	(15.7)	10.7
Change in allowance for credit losses of other investments (b)	(29.5)	—
Other (c)	(34.9)	(1.8)
Net realized investment gains (losses)	$ (115.5)	$ 16.1

(a) The change in the estimated fair value of equity securities still held at March 31, 2020 was $(15.7) million.
(b) Includes $(27.8) million related to the change in allowance for credit losses related to investments held by variable interest entities ("VIEs").
(c) The change in the estimated fair value of certain structured securities held at March 31, 2020 that we have elected the fair value option and classify as trading securities was $(26.8) million.

During the first three months of 2020, we recognized net realized investment losses of $115.5 million, which were comprised of: (i) $11.7 million of net losses from the sales of investments; (ii) $15.7 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 $26.7 million; (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of $6.0 million; and (v) an increase in the allowance for credit losses and other-than-temporary impairment losses of $55.4 million.

During the first three months of 2019, we recognized net realized investment gains of $16.1 million, which were comprised of: (i) $1.7 million of net gains from the sales of investments; (ii) $10.7 million of gains related to equity securities, including the change in fair value; (iii) the increase in fair value of certain fixed maturity investments with embedded derivatives of $3.6 million; (iv) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $2.3 million; and (v) $2.2 million of writedowns of investments for other than temporary declines in fair value recognized through net income.

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.

At March 31, 2020, there were no fixed maturity investments in default.

During the first three months of 2020, the $21.4 million of realized losses on sales of $174.3 million of fixed maturity securities, available for sale included: (i) $6.9 million related to various corporate securities; (ii) $11.7 million related to commercial mortgage-backed securities; and (iii) $2.8 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 three months of 2019, the $51.5 million of realized losses on sales of $747.4 million of fixed maturity securities, available for sale, included: (i) $44.6 million related to various corporate securities; (ii) $6.9 million related to various other investments.

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

Prior to January 1, 2020, we regularly evaluated all of our investments with unrealized losses for possible impairment. Our assessment of whether unrealized losses were "other than temporary" required significant judgment. Factors considered included: (i) the extent to which fair value was less than the cost basis; (ii) the length of time that the fair value had been less than cost; (iii) whether the unrealized loss was 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 was investment-grade and/or had been downgraded since its purchase; (vi) whether the issuer was current on all payments in accordance with the contractual terms of the investment and was expected to meet all of its obligations under the terms of the investment; (vii) whether we intended to sell the investment or it was more likely than not that circumstances would 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 would 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 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 months ended March 31, 2019 (dollars in millions):

	Three months ended March 31, 2019
Credit losses on fixed maturity securities, available for sale, beginning of period	$ (.2)
Add: credit losses on other-than-temporary impairments not previously recognized	—
Less: credit losses on securities sold	—
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)

(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.

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 March 31,	
	2020	2019
Net income (loss) for basic and diluted earnings per share	$ (21.2)	$ 51.8
Shares:		
Weighted average shares outstanding for basic earnings per share	145,829	160,948
Effect of dilutive securities on weighted average shares:		
Amounts related to employee benefit plans	—	1,241
Weighted average shares outstanding for diluted earnings per share	145,829	162,189

In the three months ended March 31, 2020, equivalent common shares of 768,000 (related to stock options, restricted stock and performance units) were not included in the diluted weighted average shares outstanding, because their inclusion would have been antidilutive due to the net loss recognized by the Company in such period.

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

Prior to 2020, the Company managed its business through the following operating segments: Bankers Life, Washington National and Colonial Penn, which were 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.

In January 2020, we announced a new operating model that changes how we view our operating segments. Instead of the operating business segments described above, we view our operations as four insurance product lines (annuity, health, life and long-term care) and the investment and fee revenue segments. The new structure creates a leaner, more integrated, customer-centric organization that better positions us for long-term success and shareholder value creation. Our new segments are aligned based on their common characteristics, comparability of profit margins and the way management makes operating decisions and assesses the performance of the business. We began reporting under the new segment structure in the first quarter of 2020. Prior period results have been reclassified to conform to the new reporting structure.

Our insurance product line segments (including annuity, health, life and long-term care) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. Under our new operating model, the business written in each of the four product categories through all of our insurance subsidiaries is aggregated allowing management and investors to assess the performance of each product category. When analyzing profitability of these segments, we use insurance product margin as the measure of profitability, which is: (i) insurance policy income; and (ii) net investment income allocated to the insurance product lines; less (i) insurance policy benefits and interest credited to policyholders; and (ii) amortization, non-deferred commissions and advertising expense. Net investment income is allocated to the product lines using the book yield of investments backing the block of business, which is applied to the average insurance liabilities for the block in each period.

Income from insurance products is the sum of the insurance margins of the annuity, health, life and long-term care product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, net expenses not allocated to product lines (primarily holding company expenses) and income taxes. Management believes insurance product margin and income from insurance products help provide a better understanding of the business and a more meaningful analysis of the results of our insurance product lines.

Under our new structure, we market our insurance products through the Consumer and Worksite Divisions that reflect the customers served by the Company.

The Consumer Division serves individual consumers, engaging with them on the phone, online, face-to-face with agents, or through a combination of sales channels. This structure unifies consumer capabilities into a single division and integrates the strength of our agent sales forces and industry-leading direct-to-consumer business with proven experience in advertising, web/digital and call center support.

The Worksite Division focuses on worksite and group sales for businesses, associations, and other membership groups, interacting with customers at their place of employment. By creating a dedicated Worksite Division, we bring a sharper focus to this high-growth business while further capitalizing on the strength of our recent acquisition of Web Benefits Design Corporation ("WBD"). The individual results for the Worksite Division are currently not significant pursuant to accounting standards, but are expected to grow. We plan to analyze the profitability of the insurance products of the Consumer and Worksite Divisions separately when the Worksite Division becomes significant.

We also centralized certain functional areas previously housed in the three business segments, including marketing, business unit finance, sales training and support, and agent recruiting, among others. All policy, contract, and certificate terms, conditions, and benefits remain unchanged.

The investment segment involves the management of our capital resources, including investments and the management of corporate debt and liquidity. Our measure of profitability of this segment is the total net investment income not allocated to the insurance products. Investment income not allocated to product lines represents net investment income less: (i) equity returns credited to policyholder account balances; (ii) the investment income allocated to our product lines; (iii) interest expense on notes payable and investment borrowings; and (iv) certain expenses related to benefit plans that are offset by special-purpose investment income. Investment income not allocated to product lines includes investment income on investments in excess of average insurance liabilities, investments held by our holding companies, the spread we earn from the Federal Home Loan Bank ("FHLB") investment borrowing program and variable components of investment income (including call and prepayment income, adjustments to returns on structured securities due to cash flow changes, income from company-owned life insurance ("COLI") and variations in income from alternative investments), net of interest expense on corporate debt.

Our fee and other revenue segment includes the earnings generated from sales of third-party insurance products, services provided by WBD (our wholly owned on-line benefit administration firm) and the operations of our broker-dealer and registered investment advisor.

Expenses not allocated to product lines include the expenses of our corporate operations, excluding interest expense on debt.

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 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.

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

	Three months ended March 31,	
	2020	2019
Revenues:		
Annuity:		
Insurance policy income	$ 5.6	$ 6.6
Net investment income	117.4	115.8
Total annuity revenues	123.0	122.4
Health:		
Insurance policy income	362.1	358.2
Net investment income	36.1	36.2
Total health revenues	398.2	394.4
Life:		
Insurance policy income	194.1	187.2
Net investment income	34.3	34.5
Total life revenues	228.4	221.7
Long-term care:		
Insurance policy income	66.9	67.3
Net investment income	34.3	33.3
Total long-term care revenues	101.2	100.6
Investment income not allocated to product lines:		
Related to fixed index products	(136.5)	43.6
Other investment income	72.4	73.2
Fee revenue and other income:		
Fee income	28.8	25.8
Amounts netted in expenses not allocated to product lines	1.8	2.3
Total segment revenues	$ 817.3	$ 984.0

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	Three months ended March 31, 2020	Three months ended March 31, 2019
Expenses:		
Annuity:		
Insurance policy benefits	$ 5.5	$ 7.9
Interest credited	42.0	43.2
Amortization and non-deferred commissions	16.0	15.1
Total annuity expenses	63.5	66.2
Health:		
Insurance policy benefits	269.6	264.9
Amortization and non-deferred commissions	55.0	50.6
Total health expenses	324.6	315.5
Life:		
Insurance policy benefits	131.9	130.8
Interest credited	10.3	10.2
Amortization and non-deferred commissions	41.9	37.6
Total life expenses	184.1	178.6
Long-term care:		
Insurance policy benefits	84.2	85.5
Amortization and non-deferred commissions	3.7	3.6
Total long-term care expenses	87.9	89.1
Allocated expenses	136.6	135.9
Expenses not allocated to product lines	15.6	20.4
Amounts netted in investment income not allocated to product lines:		
Market value changes credited to policyholders	(136.5)	43.6
Interest expense	22.7	24.5
Other expenses	(7.7)	5.4
Expenses netted in fee revenue:		
Distribution and commission expenses	21.0	21.4
Total segment expenses	711.8	900.6
Pre-tax measure of profitability:		
Annuity margin	59.5	56.2
Health margin	73.6	78.9
Life margin	44.3	43.1
Long-term care margin	13.3	11.5
Total insurance product margin	190.7	189.7
Allocated expenses	(136.6)	(135.9)
Income from insurance products	54.1	53.8
Fee income	7.8	4.4
Investment income not allocated to product lines	57.4	43.3
Expenses not allocated to product lines	(13.8)	(18.1)
Operating earnings before taxes	105.5	83.4
Income tax expense on operating income	21.2	17.6
Net operating income	$ 84.3	$ 65.8

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

	Three months ended March 31,	
	2020	2019
Total segment revenues	$ 817.3	$ 984.0
Net realized investment gains	(115.5)	16.1
Revenues related to VIEs	10.7	17.9
Fee revenue related to transition services agreement	4.7	5.0
Consolidated revenues	717.2	1,023.0
Total segment expenses	711.8	900.6
Insurance policy benefits - fair value changes in embedded derivative liabilities	83.8	37.4
Amortization related to fair value changes in embedded derivative liabilities	(17.1)	(7.8)
Amortization related to net realized investment gains	(3.4)	.2
Expenses related to VIEs	11.0	16.9
Fair value changes related to agent deferred compensation plan	—	5.3
Expenses related to transition services agreement	2.1	4.8
Consolidated expenses	788.2	957.4
Income before tax	(71.0)	65.6
Income tax expense (benefit):		
Tax expense on period income	(15.8)	13.8
Valuation allowance for deferred tax assets and other tax items	(34.0)	—
Net income	$ (21.2)	$ 51.8

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	
	March 31, 2020	December 31, 2019
Assets:		
Other invested assets:		
Fixed index call options	$ 47.6	$ 203.8
Reinsurance receivables	(7.2)	(1.2)
Total assets	$ 40.4	$ 202.6
Liabilities:		
Future policy benefits:		
Fixed index products	$ 1,548.5	$ 1,565.4
Total liabilities	$ 1,548.5	$ 1,565.4

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 $115 million in underlying investments held by the ceding reinsurer at March 31, 2020.

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 were $3.2 billion at both March 31, 2020 and December 31, 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 March 31,	
	2020	2019
Net investment income (loss) from policyholder and other special-purpose portfolios:		
Fixed index call options	$ (136.7)	$ 42.7
Net realized gains (losses):		
Embedded derivative related to modified coinsurance agreement	(6.0)	2.3
Insurance policy benefits:		
Embedded derivative related to fixed index annuities	(76.7)	(35.0)
Total	$ (219.4)	$ 10.0

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 March 31, 2020, 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 March 31, 2020 and December 31, 2019 (dollars in millions):

				Gross amounts not offset in the balance sheet		
	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
March 31, 2020:						
Fixed index call options	$ 47.6	$ —	$ 47.6	$ —	$ —	$ 47.6
December 31, 2019:						
Fixed index call options	203.8	—	203.8	—	—	203.8

REINSURANCE

The cost of reinsurance ceded totaled $84.0 million and $67.9 million in the first quarters of 2020 and 2019, respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled $106.0 million and $108.7 million in the first quarters of 2020 and 2019, 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 $6.0 million and $6.5 million in the first quarters of 2020 and 2019, respectively. Insurance policy benefits related to reinsurance assumed totaled $8.4 million and $8.9 million in the first quarters of 2020 and 2019, 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 (benefit) are as follows (dollars in millions):

	Three months ended March 31,	
	2020	2019
Current tax expense (benefit)	$ (63.6)	$ 5.2
Deferred tax expense	47.8	8.6
Income tax expense (benefit) calculated based on estimated annual effective tax rate	(15.8)	13.8
Income tax benefit on discrete items:		
Carryback of net operating losses to years with a higher statutory corporate rate pursuant to provisions of the CARES Act (as defined below)	(34.0)	—
Total income tax expense (benefit)	$ (49.8)	$ 13.8

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:

	Three months ended March 31,	
	2020	2019
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	2.7	(.9)
State taxes	(1.4)	.9
Estimated annual effective tax rate calculated before discrete items	22.3	21.0
Impact on effective tax rate from discrete items:		
Carryback of net operating losses to years with a higher statutory corporate rate pursuant to provisions of the CARES Act (as defined below)	47.8	—
Effective tax rate	70.1 %	21.0 %

The Tax Cuts and Job Act (the “Tax Reform Act”), which was effective in 2018, eliminated a company’s ability to carryback losses to prior years for losses realized in 2018 and beyond. In addition, the utilization of these net operating loss carryforwards ("NOLs") to offset income in 2018 and subsequent years was limited to 80 percent of taxable income. The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, a tax-and-spending package intended to provide economic relief to address the impact of the COVID-19 pandemic, was signed into law in March 2020. Provisions in the CARES Act permit NOLs arising in a taxable year beginning after December 31, 2017, and before January 1, 2021 to be allowed as a carryback to each of the five taxable years preceding the taxable year of such loss. Accordingly, we are able to carryback the NOL created in 2018 related to the long-term care reinsurance transaction to 2017 and 2016 resulting in a $34.0 million tax benefit from the difference in tax rates between the current enacted rate of 21% and the enacted rate in 2016 and 2017 of 35%. This provision also accelerated the utilization of approximately $375 million of life NOLs and restored approximately $130 million of non-life NOLs. Further, the CARES Act temporarily repeals the 80 percent limitation for taxable years beginning before January 1, 2021 (as required under the Tax Reform Act). This provision resulted in the acceleration of approximately $105 million of life NOLs and restored approximately $35 million of non-life NOLs.

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

	March 31, 2020	December 31, 2019
Deferred tax assets:		
Net federal operating loss carryforwards	$ 460.3	$ 532.3
Net state operating loss carryforwards	9.1	10.3
Insurance liabilities	346.0	351.3
Indirect costs allocable to self-constructed real estate assets	51.6	50.3
Other	55.3	40.4
Gross deferred tax assets	922.3	984.6
Deferred tax liabilities:		
Investments	(7.4)	(24.4)
Present value of future profits and deferred acquisition costs	(149.1)	(150.1)
Accumulated other comprehensive income	(165.9)	(381.2)
Gross deferred tax liabilities	(322.4)	(555.7)
Net deferred tax assets	599.9	428.9
Current income taxes prepaid	103.3	3.7
Income tax assets, net	$ 703.2	$ 432.6

Our income tax expense includes deferred income taxes arising from temporary differences between the financial reporting and tax bases of assets and liabilities and 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.

In the fourth quarter of 2019, the Company implemented a tax planning strategy whereby, pursuant to the Internal Revenue Code (the "Code"), the Company will reflect a change in its method of accounting for indirect costs allocable to self-constructed real estate assets in its 2019 federal income tax return filing. Such tax planning strategy is expected to increase taxable income for the tax years 2019 through 2023.

We evaluate the need to establish a valuation allowance for our deferred income tax assets on an ongoing basis using a deferred tax valuation model. Our model is adjusted to reflect changes in our projections of future taxable income including changes resulting from the Tax Reform Act, investment strategies, the impact of the sale or reinsurance of business, the recapture of business previously ceded and tax planning strategies. Our estimates of future taxable income are based on evidence we consider to be objective and verifiable. At March 31, 2020, our projection of future taxable income for purposes of determining the valuation allowance is based on our adjusted average annual baseline taxable income which is assumed to increase by approximately 3.5% for the next five years, and level taxable income thereafter, plus the incremental increase to non-life taxable income associated with a tax planning strategy. Based on our assessment, we have concluded that it is more likely than not that all our deferred tax assets of $599.9 million will be realized through future taxable earnings. Therefore, the Company released its remaining valuation allowance of $193.7 million in the fourth quarter of 2019.

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 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). 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 (1.63 percent at March 31, 2020), 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 March 31, 2020, we were below the 50 percent ownership change level that could limit 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 $2.2 billion of federal NOLs as of March 31, 2020, as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2023	$ 1,558.9
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	2,145.5
Post 2017 life NOLs with no expiration	46.2
Total federal NOLs	$ 2,191.7

Our life NOLs are expected to be fully utilized in 2020, 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 $9.1 million and $10.3 million at March 31, 2020 and December 31, 2019, respectively. The related state NOLs are available to offset future state taxable income in certain states through 2033.

The federal statute of limitations remains open with respect to tax years 2016 through 2019. The Company's various state income tax returns are generally open for tax years 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 March 31, 2020 and December 31, 2019 (dollars in millions):

	March 31, 2020	December 31, 2019
5.250% Senior Notes due May 2025	$ 500.0	$ 500.0
5.250% Senior Notes due May 2029	500.0	500.0
Unamortized debt issue costs	(10.6)	(10.9)
Direct corporate obligations	$ 989.4	$ 989.1

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. There were no amounts outstanding under the Revolving Credit Agreement during the three months ended March 31, 2020.

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 24.3 percent at March 31, 2020); (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 estimated to be 406 percent at March 31, 2020); 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 $3,170.6 million at March 31, 2020 compared to the minimum requirement of $2,693.0 million).

Scheduled Repayment of our Direct Corporate Obligations

The scheduled repayment of our direct corporate obligations was as follows at March 31, 2020 (dollars in millions):

Year ending March 31,	
2021	$ —
2022	—
2023	—
2024	—
2025	—
Thereafter	1,000.0
	$ 1,000.0

INVESTMENT BORROWINGS

Three of the Company's insurance subsidiaries (Bankers Life and Casualty Company ("Bankers Life"), Washington National Insurance Company ("Washington National") and Colonial Penn Life Insurance Company ("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 March 31, 2020, the carrying value of the FHLB common stock was $71.0 million. As of March 31, 2020, 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 $2.1 billion at March 31, 2020, 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 March 31, 2020
$ 21.7	June 2020	Fixed rate – 1.960%
100.0	July 2021	Variable rate – 2.388%
100.0	July 2021	Variable rate – 2.351%
27.9	August 2021	Fixed rate – 2.550%
57.7	August 2021	Variable rate - 2.271%
125.0	August 2021	Variable rate – 1.427%
50.0	September 2021	Variable rate – 2.187%
22.0	May 2022	Variable rate – 1.930%
100.0	May 2022	Variable rate – 1.371%
10.0	June 2022	Variable rate – 1.613%
50.0	July 2022	Variable rate – 2.218%
50.0	July 2022	Variable rate – 2.181%
50.0	July 2022	Variable rate – 2.175%
50.0	August 2022	Variable rate – 2.132%
50.0	December 2022	Variable rate – 1.880%
50.0	December 2022	Variable rate – 1.880%
23.0	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – 1.095%
100.0	July 2023	Variable rate – 1.190%
50.0	February 2024	Variable rate – 2.002%
50.0	May 2024	Variable rate – 1.180%
21.8	May 2024	Variable rate – 1.404%
100.0	May 2024	Variable rate – 1.426%
50.0	May 2024	Variable rate – 1.471%
75.0	June 2024	Variable rate – 1.685%
100.0	July 2024	Variable rate – 2.210%
15.5	July 2024	Fixed rate – 1.990%
34.5	July 2024	Variable rate – 1.987%
15.0	July 2024	Variable rate – 2.225%
25.0	September 2024	Variable rate – 1.571%
19.8	June 2025	Fixed rate – 2.940%
$ 1,643.9		

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 March 31, 2020, the aggregate yield maintenance fee to prepay all fixed rate borrowings was $5.5 million.

Interest expense of $9.1 million and $12.4 million in the first three months of 2020 and 2019, respectively, was recognized related to total borrowings from the FHLB.

CHANGES IN COMMON STOCK

In the first three months of 2020, we repurchased 5.1 million shares of common stock for $83.0 million under our securities repurchase program. The Company had remaining repurchase authority of $449.3 million as of March 31, 2020. In light of the current uncertainty related to the COVID-19 pandemic, we suspended share repurchases beginning in mid-March 2020.

In the first three months of 2020, dividends declared on common stock totaled $16.0 million ($0.11 per common 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 $3.3 million and $7.1 million during the three months ended March 31, 2020 and 2019, respectively. Amounts amortized totaled $(.3) million and $1.5 million during the three months ended March 31, 2020 and 2019, respectively. The unamortized balance of deferred sales inducements was $64.3 million and $60.7 million at March 31, 2020 and December 31, 2019, respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS

Pending Accounting Standards

In August 2018, the Financial Accounting Standards Board (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 liabilities, 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. In October 2019, the FASB approved a delay for the effective date of the adoption of this guidance by one year (until January 1, 2022). 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.

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 June 2016, 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 requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses on available for sale debt securities are measured in a manner similar to current GAAP. However, the guidance requires that credit losses be presented as an allowance rather than as a writedown. The guidance was effective for the Company on January 1, 2020. The impact of adoption, using the modified retrospective approach, was as follows (dollars in millions):

	January 1, 2020		
	Amounts prior to effect of adoption of authoritative guidance	Effect of adoption of authoritative guidance	As adjusted
Fixed maturities, available for sale	$ 21,295.2	$ (2.1)	$ 21,293.1
Mortgage loans	15,661.0	(6.7)	15,654.3
Investments held by variable interest entities	1,188.6	(9.9)	1,178.7
Income tax assets, net	432.6	4.9	437.5
Reinsurance receivables	4,785.7	(4.0)	4,781.7
Total assets	33,630.9	(17.8)	33,613.1
Retained earnings	535.7	(17.8)	517.9
Total shareholders' equity	4,677.0	(17.8)	4,659.2

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 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 was effective for the Company on January 1, 2020. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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.

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 was effective for the Company on January 1, 2020. The adoption of such guidance impacted certain fair value disclosures, but did not impact our 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 December 19, 2018, Melanie Cyganowski, as Equity Receiver for Platinum Partners Credit Opportunities Master Fund, LP ("PPCO") 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 Beechwood Re Ltd. ("BRe") and many of its affiliates, CNO Financial Group, Inc., Bankers Conseco Life Insurance Company ("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. On August 19, 2019, the court granted in their entirety CNO Financial Group, Inc.'s and 40|86 Advisors, Inc.'s motions to dismiss the PPCO Receiver's claims against them. The court granted in part and denied in part the motions to dismiss of BCLIC and Washington National, dismissing the PPCO Receiver's claims for, among other things, fraud, aiding and abetting fraud, securities fraud and violation of the Racketeer Influenced and Corrupt Organizations Act, while denying BCLIC's and Washington National's motions to dismiss the PPCO Receiver's fraudulent transfer and unjust enrichment claims. BCLIC and Washington National have agreed with the PPCO Receiver to fully settle the *Cyganowski* case and are preparing a settlement agreement for approval by the court. Under the settlement, neither BCLIC nor Washington National will incur any liability or make any payment to anyone, but instead they will be granted an allowed claim against PPCO's estate.

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. The Court granted Wilmington's motion to dismiss this litigation. BCLIC and Washington National are appealing the Court's decision.

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 are vigorously contesting the plaintiff's claims. The CNO Parties had removed the case to the United States District Court for the District of Delaware but on April 6, 2020, the District Court granted the plaintiff's motion to remand the case back to the Delaware Chancery Court.

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. The Court granted KPMG's motion to dismiss this litigation. BCLIC and Washington National are appealing the Court's decision.

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 41 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 (loss) to net cash from operating activities (dollars in millions):

	Three months ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	$ (21.2)	$ 51.8
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Amortization and depreciation	59.6	66.6
Income taxes	(51.7)	18.7
Insurance liabilities	9.7	177.9
Accrual and amortization of investment income	116.1	(83.6)
Deferral of policy acquisition costs	(68.2)	(69.6)
Net realized investment (gains) losses	115.5	(16.1)
Other	(34.1)	(3.4)
Net cash from operating activities	$ 125.7	$ 142.3

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

	Three months ended March 31,	
	2020	2019
Amounts related to employee benefit plans	$ 4.6	$ 4.4

LEASES

The Company rents certain office space for administrative operations 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 2020 and 2027. 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 of use assets are as follows (dollars in millions):

	Three months ended March 31,	
	2020	2019
Operating lease expense	$ 6.2	$ 6.1
Cash paid for operating lease liability	6.3	6.0
Right of use assets obtained in exchange for lease liabilities (non-cash transactions)	3.2	4.3
Total right of use assets	63.9	65.5

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):

	March 31, 2020		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,038.1	$ —	$ 1,038.1
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	68.5	—	68.5
Accrued investment income	1.5	—	1.5
Income tax assets, net	42.3	—	42.3
Other assets	2.5	(.9)	1.6
Total assets	$ 1,152.9	$ (114.7)	$ 1,038.2
Liabilities:			
Other liabilities	$ 48.9	$ (3.8)	$ 45.1
Borrowings related to variable interest entities	1,152.3	—	1,152.3
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	$ 1,327.3	$ (129.9)	$ 1,197.4

	December 31, 2019		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,188.6	$ —	$ 1,188.6
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	74.7	—	74.7
Accrued investment income	1.7	—	1.7
Income tax assets, net	8.0	—	8.0
Other assets	2.8	(1.4)	1.4
Total assets	$ 1,275.8	$ (115.2)	$ 1,160.6
Liabilities:			
Other liabilities	$ 42.8	$ (4.4)	$ 38.4
Borrowings related to variable interest entities	1,152.5	—	1,152.5
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	$ 1,321.4	$ (130.5)	$ 1,190.9

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 March 31, 2020, such loans had an amortized cost of $1,216.4 million; gross unrealized gains of $.4 million; gross unrealized losses of $141.0 million; allowance for credit losses of $37.7 million; and an estimated fair value of $1,038.1 million.

The following table summarizes changes in the allowance for credit losses related to investments held by VIEs for the three months ended March 31, 2020 (dollars in millions):

	Corporate securities
Allowance at January 1, 2020	$ 9.9
Additions for securities for which credit losses were not previously recorded	19.1
Additions for purchased securities with deteriorated credit	—
Additions (reductions) for securities where an allowance was previously recorded	9.9
Reduction for securities sold during the period	(1.2)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—
Write-offs	—
Recoveries of previously written-off amount	—
Allowance at March 31, 2020	$ 37.7

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at March 31, 2020, 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 in one year or less	$ 1.0	$ .4
Due after one year through five years	706.7	594.7
Due after five years through ten years	504.7	439.6
Due after ten years	4.0	3.4
Total	$ 1,216.4	$ 1,038.1

During the first three months of 2020, the VIEs recognized net realized investment losses of $30.1 million which were comprised of: (i) $2.3 million of net losses from the sales of fixed maturities; and (ii) a $27.8 million increase in the allowance for credit losses. Such net realized losses included gross realized losses of $2.3 million from the sale of $18.5 million of investments. During the first three months of 2019, the VIEs recognized net realized investment losses of $8.2 million from the sales of fixed maturities. Such net realized losses included gross realized losses of $8.5 million from the sale of $249.7 million of investments.

At March 31, 2020, there were no investments held by the VIEs that were in default.

At March 31, 2020, the VIEs held: (i) investments with a fair value of $550.7 million and gross unrealized losses not deemed to have credit losses of $64.2 million that had been in an unrealized loss position for less than twelve months; and (ii) investments with a fair value of $182.0 million and gross unrealized losses not deemed to have credit losses of $31.7 million that had been in an unrealized loss position for twelve months or greater.

At December 31, 2019, the VIEs held: (i) investments with a fair value of $153.0 million and gross unrealized losses of $3.1 million that had been in an unrealized loss position for less than twelve months; and (ii) investments with a fair value of $430.1 million and gross unrealized losses of $18.5 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 loan obligations, commercial mortgage-backed securities, agency residential mortgage-backed securities and non-agency residential mortgage-backed securities. 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 March 31, 2020, we held investments in various limited partnerships and hedge funds, in which we are not the primary beneficiary, totaling $569.8 million (classified as other invested assets). At March 31, 2020, we had unfunded commitments to these partnerships and hedge funds totaling $94.8 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 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, 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.

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.

  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, agency and non-agency residential mortgage-backed securities, commercial mortgage-backed securities and collateralized loan 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 89 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 March 31, 2020 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	$ —	$ 12,489.5	$ 127.8	$ 12,617.3
United States Treasury securities and obligations of United States government corporations and agencies	—	232.6	—	232.6
States and political subdivisions	—	2,221.4	—	2,221.4
Foreign governments	—	93.5	—	93.5
Asset-backed securities	—	1,174.8	30.9	1,205.7
Agency residential mortgage-backed securities	—	80.3	—	80.3
Non-agency residential mortgage-backed securities	—	1,825.1	—	1,825.1
Commercial mortgage-backed securities	—	1,697.1	7.2	1,704.3
Collateralized loan obligations	—	398.9	—	398.9
Total fixed maturities, available for sale	—	20,213.2	165.9	20,379.1
Equity securities - corporate securities	17.5	24.3	8.3	50.1
Trading securities:				
Corporate securities	—	15.5	—	15.5
Asset-backed securities	—	10.5	—	10.5
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	92.3	—	92.3
Commercial mortgage-backed securities	—	98.2	10.9	109.1
Total trading securities	—	216.9	10.9	227.8
Investments held by variable interest entities - corporate securities	—	1,037.5	.6	1,038.1
Other invested assets - derivatives	—	47.6	—	47.6
Assets held in separate accounts	—	3.2	—	3.2
Total assets carried at fair value by category	$ 17.5	$ 21,542.7	$ 185.7	$ 21,745.9
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	$ —	$ —	$ 1,548.5	$ 1,548.5

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at December 31, 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	$ —	$ 12,756.5	$ 178.8	$ 12,935.3
United States Treasury securities and obligations of United States government corporations and agencies	—	204.6	—	204.6
States and political subdivisions	—	2,246.7	—	2,246.7
Foreign governments	—	94.5	1.1	95.6
Asset-backed securities	—	1,375.2	12.6	1,387.8
Agency residential mortgage-backed securities	—	95.1	—	95.1
Non-agency residential mortgage-backed securities	—	2,042.3	—	2,042.3
Collateralized loan obligations	—	400.8	—	400.8
Commercial mortgage-backed securities	—	1,887.0	—	1,887.0
Total fixed maturities, available for sale	—	21,102.7	192.5	21,295.2
Equity securities - corporate securities	31.3	4.5	8.3	44.1
Trading securities:				
Asset-backed securities	—	12.1	—	12.1
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	113.4	—	113.4
Commercial mortgage-backed securities	—	105.5	12.5	118.0
Total trading securities	—	231.4	12.5	243.9
Investments held by variable interest entities - corporate securities	—	1,188.6	—	1,188.6
Other invested assets - derivatives	—	203.8	—	203.8
Assets held in separate accounts	—	4.2	—	4.2
Total assets carried at fair value by category	$ 31.3	$ 22,735.2	$ 213.3	$ 22,979.8
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	$ —	$ —	$ 1,565.4	$ 1,565.4

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

	March 31, 2020				
	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	$ —	$ —	$ 1,598.3	$ 1,598.3	$ 1,484.1
Policy loans	—	—	124.7	124.7	124.7
Other invested assets:					
Company-owned life insurance	—	197.2	—	197.2	197.2
Cash and cash equivalents:					
Unrestricted	481.9	.1	—	482.0	482.0
Held by variable interest entities	68.5	—	—	68.5	68.5
Liabilities:					
Policyholder account liabilities	—	—	12,138.1	12,138.1	12,138.1
Investment borrowings	—	1,649.4	—	1,649.4	1,643.9
Borrowings related to variable interest entities	—	1,027.5	—	1,027.5	1,152.3
Notes payable – direct corporate obligations	—	1,003.8	—	1,003.8	989.4

	December 31, 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	$ —	$ —	$ 1,651.4	$ 1,651.4	$ 1,566.1
Policy loans	—	—	124.5	124.5	124.5
Other invested assets:					
Company-owned life insurance	—	194.0	—	194.0	194.0
Cash and cash equivalents:					
Unrestricted	579.9	.1	—	580.0	580.0
Held by variable interest entities	74.7	—	—	74.7	74.7
Liabilities:					
Policyholder account liabilities	—	—	12,132.3	12,132.3	12,132.3
Investment borrowings	—	1,647.9	—	1,647.9	1,644.3
Borrowings related to variable interest entities	—	1,142.1	—	1,142.1	1,152.5
Notes payable – direct corporate obligations	—	1,117.2	—	1,117.2	989.1

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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 March 31, 2020 (dollars in millions):

	March 31, 2020								
	Beginning balance as of December 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 March 31, 2020	Amount of total gains (losses) for the three months ended March 31, 2020 included in our net income relating to assets and liabilities still held as of the reporting date	Amount of total gains (losses) for the three months ended March 31, 2020 included in accumulated other comprehensive income (loss) relating to assets and liabilities still held as of the reporting date
Assets:									
Fixed maturities, available for sale:									
Corporate securities	$ 178.8	$ 20.0	$ (.6)	$ (1.4)	$ 82.6	$ (151.6)	$ 127.8	$ (.6)	$ (1.9)
Foreign governments	1.1	—	—	—	—	(1.1)	—	—	—
Asset-backed securities	12.6	20.3	—	(2.0)	—	—	30.9	—	(2.0)
Commercial mortgage-backed securities	—	—	—	(1.0)	8.2	—	7.2	—	(1.0)
Total fixed maturities, available for sale	192.5	40.3	(.6)	(4.4)	90.8	(152.7)	165.9	(.6)	(4.9)
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—	—
Trading securities - commercial mortgage-backed securities	12.5	—	(1.8)	.2	—	—	10.9	—	—
Investments held by variable interest entities - corporate securities	—	—	(2.9)	1.1	2.4	—	.6	(2.9)	1.1
Liabilities:									
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,565.4)	93.6	(76.7)	—	—	—	(1,548.5)	(76.7)	(76.7)

(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 March 31, 2020 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ 20.0	$ —	$ —	$ —	$ 20.0
Asset-backed securities	20.5	(.2)	—	—	20.3
Total fixed maturities, available for sale	40.5	(.2)	—	—	40.3
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(50.8)	119.2	—	25.2	93.6

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 March 31, 2019 (dollars in millions):

	March 31, 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 March 31, 2019	Amount of total gains (losses) for the three months ended March 31, 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	$ (16.5)	$ (2.8)	$ 3.8	$ —	$ (5.5)	$ 137.6	$ (2.2)
Foreign governments	1.0	—	—	—	—	—	1.0	—
Asset-backed securities	12.0	(.1)	—	.4	—	—	12.3	—
Collateralized loan obligations	—	5.0	—	—	—	—	5.0	—
Total fixed maturities, available for sale	171.6	(11.6)	(2.8)	4.2	—	(5.5)	155.9	(2.2)
Equity securities - corporate securities	9.5	—	(1.2)	—	—	—	8.3	—
Liabilities:								
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,289.0)	(48.9)	(35.0)	—	—	—	(1,372.9)	(35.0)

(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 March 31, 2019 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ —	$ (16.5)	$ —	$ —	$ (16.5)
Asset-backed securities	—	(.1)	—	—	(.1)
Collateralized loan obligations	5.0	—	—	—	5.0
Total fixed maturities, available for sale	5.0	(16.6)	—	—	(11.6)
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(35.0)	1.6	(39.6)	24.1	(48.9)

At March 31, 2020, 95 percent of our Level 3 fixed maturities, available for sale, were investment grade and 77 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 amount presented for gains (losses) included in accumulated other comprehensive income (loss) for assets and liabilities still held as of the reporting date primarily represents changes in the fair value of fixed maturities, available for sale, that are held 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 March 31, 2020 (dollars in millions):

	Fair value at March 31, 2020	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	$ 5.5	Discounted cash flow analysis	Discount margins	4.33% - 5.47% (5.37%)
Corporate securities (c)	1.0	Recovery method	Percent of recovery expected	12.77%
Asset-backed securities (d)	13.4	Discounted cash flow analysis	Discount margins	1.89%
Equity securities (e)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Other assets categorized as Level 3 (f)	157.5	Unadjusted third-party price source	Not applicable	Not applicable
Total	185.7			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (g)	1,548.5	Discounted projected embedded derivatives	Projected portfolio yields	4.71% - 4.98% (4.72%)
			Discount rates	.55% - 2.24% (1.19%)
			Surrender rates	1.60% - 31.90% (10.90%)

(a) The weighted average is based on the relative fair value of the related assets or liabilities.
(b) 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 have resulted in a significantly lower (higher) fair value measurement.
(c) 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 have resulted in a significantly higher (lower) fair value measurement.
(d) 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 have resulted in a significantly lower (higher) fair value measurement.
(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 have resulted 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) Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) - 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 have led 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 have led 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.

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, 2019 (dollars in millions):

	Fair value at December 31, 2019	Valuation techniques	Unobservable inputs	Range (weighted average)
Assets:				
Corporate securities (a)	$ 134.2	Discounted cash flow analysis	Discount margins	1.07% - 8.42% (1.91%)
Corporate securities (b)	1.0	Recovery method	Percent of recovery expected	12.77%
Asset-backed securities (c)	12.6	Discounted cash flow analysis	Discount margins	1.66%
Equity securities (d)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Other assets categorized as Level 3 (e)	57.2	Unadjusted third-party price source	Not applicable	Not applicable
Total	213.3			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (f)	1,565.4	Discounted projected embedded derivatives	Projected portfolio yields	4.71% - 4.98% (4.72%)
			Discount rates	1.24% - 3.07% (1.88%)
			Surrender rates	1.60% - 31.90% (10.90%)

(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) Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) - 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 March 31, 2020, and its consolidated results of operations for the three months ended March 31, 2020 and 2019, and, where appropriate, factors that may affect future financial performance. Please read this discussion in conjunction with the accompanying consolidated financial statements and notes. Results for interim periods are not necessarily indicative of the results that may be expected for a full year, especially when considering the risks and uncertainties associated with the COVID-19 pandemic and the impact it may have on our business, results of operations and financial condition. For additional forward-looking information and risks related to the impact of the pandemic refer to Liquidity and Capital Resources - Potential Impacts of COVID-19 Pandemic included in Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1A - Risk Factors.

We are closely monitoring developments relating to COVID-19 and assessing its impact on our business, policyholders, agents and associates. For the three months ended March 31, 2020, the adverse impacts of the pandemic were generally limited to the last half of the month of March. Those impacts are discussed further below. Depending on the duration and severity of the pandemic, we foresee the potential for some adverse impacts related to, among other things, near-term sales results, insurance product margin, net investment income, invested assets, regulatory capital, liabilities for insurance products, deferred acquisition costs, the present value of future profits, and income tax assets, although the full extent to which COVID-19 impacts financial results remains uncertain.

Operationally, we implemented our business continuity plans and took other precautions, such as employee business travel restrictions and remote work arrangements which, to date, have enabled us to support the health and wellness of our agents and associates, while maintaining our critical business processes, customer service levels, relationships with key vendors, financial reporting systems, internal controls over financial reporting and disclosure controls and procedures. In addition, we implemented additional cybersecurity precautions as a result of our remote working environment. We also introduced financial support programs for our exclusive agents who have seen their businesses disrupted, and their livelihoods challenged, and we deployed enhanced technology tools and training for such agents to allow them to serve consumers through virtual consultations and digital insurance applications.

While we have implemented risk management and contingency plans and taken other precautions with respect to the COVID-19 pandemic, such measures may not adequately protect our business from the full impacts of the pandemic. Currently, most of our employees are working remotely with only a few operationally critical employees working at certain of our facilities for business continuity purposes. An extended period of remote work arrangements could strain our business continuity plans, introduce additional operational risk, including but not limited to cybersecurity risks, and impair our ability to effectively manage our business.

In addition, the pandemic and its impact on the economy and financial markets could materially adversely affect our business, results of operations, investment portfolio or financial condition. We will continue reviewing accounting estimates, asset valuations and various financial scenarios for capital and liquidity; however, in light of evolving health, economic, governmental, social, and other factors, the potential impact of COVID-19 and actions taken in response to it on our business, results of operations, investment portfolio and financial condition remains uncertain.

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 2019 Annual Report on Form 10-K and the changes set forth in the Risk Factors section of this Form 10-Q provide 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:

- the ongoing COVID-19 pandemic and the resulting financial market, economic and other impacts could adversely affect our business, results of operations, financial condition and liquidity;
- 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 maintain 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.

Prior to 2020, the Company managed its business through the following operating segments: Bankers Life, Washington National and Colonial Penn, which were 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.

In January 2020, we announced a new operating model that changes how we view our operating segments. Instead of the operating business segments described above, we view our operations as four insurance product lines (annuity, health, life and long-term care) and the investment and fee revenue segments. The new structure creates a leaner, more integrated, customer-centric organization that better positions us for long-term success and shareholder value creation. Our new segments are aligned based on their common characteristics, comparability of profit margins and the way management makes operating decisions and assesses the performance of the business. We began reporting under the new segment structure in the first quarter of 2020. Prior period results have been reclassified to conform to the new reporting structure.

Our insurance product line segments (including annuity, health, life and long-term care) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. Under our new operating model, the business written in each of the four product categories through all of our insurance subsidiaries is aggregated allowing management and investors to assess the performance of each product category. When analyzing profitability of these segments, we use insurance product margin as the measure of profitability, which is: (i) insurance policy income; and (ii) net investment income allocated to the insurance product lines; less (i) insurance policy benefits and interest credited to policyholders; and (ii) amortization, non-deferred commissions and advertising expense. Net investment income is allocated to the product lines using the book yield of investments backing the block of business which is applied to the average insurance liabilities for the block in each period.

Income from insurance products is the sum of the insurance margins of the annuity, health, life and long-term care product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, net expenses not allocated to product lines (primarily holding company expenses) and income taxes. Management believes insurance product margin and income from insurance products help provide a better understanding of the business and a more meaningful analysis of the results of our insurance product lines.

Under our new structure, we market our insurance products through the Consumer and Worksite Divisions that reflect the customers served by the Company.

The Consumer Division serves individual consumers, engaging with them on the phone, online, face-to-face with agents, or through a combination of sales channels. This structure unifies consumer capabilities into a single division and integrates the strength of our agent sales forces and industry-leading direct-to-consumer business with proven experience in advertising, web/digital and call center support.

The Worksite Division focuses on worksite and group sales for businesses, associations, and other membership groups, interacting with customers at their place of employment. By creating a dedicated Worksite Division, we bring a sharper focus to this high-growth business while further capitalizing on the strength of our recent acquisition of WBD. The individual results for the Worksite Division are currently not significant pursuant to accounting standards, but are expected to grow. We plan to analyze the profitability of the insurance products of the Consumer and Worksite Divisions separately when the Worksite Division becomes significant.

We also centralized certain functional areas previously housed in the three business segments, including marketing, business unit finance, sales training and support, and agent recruiting, among others. All policy, contract, and certificate terms, conditions, and benefits remain unchanged.

The investment segment involves the management of our capital resources, including investments and the management of corporate debt and liquidity. Our measure of profitability of this segment is the total net investment income not allocated to the insurance products. Investment income not allocated to product lines represents net investment income less: (i) equity returns credited to policyholder account balances; (ii) the investment income allocated to our product lines; (iii) interest expense on notes payable and investment borrowings; and (iv) certain expenses related to benefit plans that are offset by special-purpose investment income. Investment income not allocated to product lines includes investment income on investments in excess of average insurance liabilities, investments held by our holding companies, the spread we earn from the FHLB investment borrowing program and variable components of investment income (including call and prepayment income, adjustments to returns on structured securities due to cash flow changes, income from COLI and variations in income from alternative investments), net of interest expense on corporate debt.

Our fee and other revenue segment includes the earnings generated from sales of third-party insurance products, services provided by WBD (our wholly owned on-line benefit administration firm) and the operations of our broker-dealer and registered investment advisor.

Expenses not allocated to product lines include the expenses of our corporate operations, excluding interest expense on debt.

The following summarizes our earnings for the three months ending March 31, 2020 and 2019 (dollars in millions, except per share data):

	Three months ended March 31, 2020	Three months ended March 31, 2019
Insurance product margin		
Annuity margin	$ 59.5	$ 56.2
Health margin	73.6	78.9
Life margin	44.3	43.1
Long-term care margin	13.3	11.5
Total insurance product margin	190.7	189.7
Allocated expenses	(136.6)	(135.9)
Income from insurance products	54.1	53.8
Fee income	7.8	4.4
Investment income not allocated to product lines	57.4	43.3
Expenses not allocated to product lines	(13.8)	(18.1)
Operating earnings before taxes	105.5	83.4
Income tax expense on operating income	(21.2)	(17.6)
Net operating income (a)	84.3	65.8
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	(63.7)	(.7)
Net change in market value of investments recognized in earnings	(48.4)	16.6
Fair value changes related to agent deferred compensation plan	—	(5.3)
Fair value changes in embedded derivative liabilities (net of related amortization)	(66.7)	(29.6)
Other	2.3	1.2
Net non-operating loss before taxes	(176.5)	(17.8)
Income tax benefit on non-operating loss	(37.0)	(3.8)
Valuation allowance for deferred tax assets and other tax items	(34.0)	—
Net non-operating loss	(105.5)	(14.0)
Net income (loss)	$ (21.2)	$ 51.8
Per diluted share		
Net operating income	$ .58	$ .41
Net non-operating loss	(.73)	(.09)
Net income (loss)	$ (.15)	$ .32

(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 (losses) from sales, impairments and change in allowance for credit losses, 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) loss related to reinsurance transaction; (v) fair value changes related to the agent deferred compensation plan, net of taxes; (vi) loss on extinguishment of debt, net of taxes; and (vii) other non-operating items consisting primarily of earnings attributable to VIEs. 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, net operating income is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities, as a measure of liquidity, or as an alternative to net income as measures of our operating performance or any other measures of performance derived in accordance with GAAP. In addition, net operating income should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Net operating income has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under GAAP. Our definition and calculation of 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 2019 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 March 31, 2020	Three months ended March 31, 2019
Insurance product margin		
Annuity:		
Insurance policy income	$ 5.6	$ 6.6
Net investment income	117.4	115.8
Insurance policy benefits	(5.5)	(7.9)
Interest credited	(42.0)	(43.2)
Amortization and non-deferred commissions	(16.0)	(15.1)
Annuity margin	59.5	56.2
Health:		
Insurance policy income	362.1	358.2
Net investment income	36.1	36.2
Insurance policy benefits	(269.6)	(264.9)
Amortization and non-deferred commissions	(55.0)	(50.6)
Health margin	73.6	78.9
Life:		
Insurance policy income	194.1	187.2
Net investment income	34.3	34.5
Insurance policy benefits	(131.9)	(130.8)
Interest credited	(10.3)	(10.2)
Amortization and non-deferred commissions	(21.9)	(20.9)
Advertising expense	(20.0)	(16.7)
Life margin	44.3	43.1
Long-term care:		
Insurance policy income	66.9	67.3
Net investment income	34.3	33.3
Insurance policy benefits	(84.2)	(85.5)
Amortization and non-deferred commissions	(3.7)	(3.6)
Long-term care margin	13.3	11.5
Total insurance product margin	190.7	189.7
Allocated expenses:		
Branch office expenses	(18.9)	(22.3)
Other allocated expenses	(117.7)	(113.6)
Income from insurance products	54.1	53.8
Fee income	7.8	4.4
Investment income not allocated to product lines	57.4	43.3
Expenses not allocated to product lines	(13.8)	(18.1)
Operating earnings before taxes	105.5	83.4
Income tax expense on operating income	(21.2)	(17.6)
Net operating income	$ 84.3	$ 65.8

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 view our operations by segments, which consist of insurance product lines. These products are distributed by our two divisions. The Consumer Division serves individual consumers, engaging with them on the phone, online, face-to-face with agents, or through a combination of sales channels. The Worksite Division focuses on worksite and group sales for businesses, associations, and other membership groups, interacting with customers at their place of employment.

Insurance product margin is management's measure of the profitability of its annuity, health, life and long-term care product lines' performance and consists of premiums plus allocated investment income less insurance policy benefits, interest credited, commissions, advertising expense and amortization of acquisition costs. Income from insurance products is the sum of the insurance margins of the annuity, health, life and long-term care product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, net expenses not allocated to product lines (primarily holding company expenses) and income taxes. Management believes insurance product margin and income from insurance products help provide a better understanding of the business and a more meaningful analysis of the results of our insurance product lines.

Investment income is allocated to the product lines using the book yield of investments backing the block of business, which is applied to the average insurance liabilities for the block in each period. Investment income not allocated to product lines represents net investment income less the investment income allocated to our product lines and includes investment income on investments in excess of average insurance liabilities, investments held by our holding companies, the spread we earn from the FHLB investment borrowing program and variable components of investment income (including call and prepayment income, adjustments to returns on structured securities due to cash flow changes, income from COLI and variations in income from alternative investments), net of interest expense on corporate debt.

Management believes that an analysis of Net income applicable to common stock before: (i) net realized investment gains (losses) from sales, impairments and change in allowance for credit losses, 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 related to reinsurance transaction, net of taxes; (vi) loss on extinguishment of debt, net of taxes; (vii) changes in the valuation allowance for deferred tax assets and other tax items; and (viii) other non-operating items consisting primarily of earnings attributable to VIEs, net of taxes ("Net operating income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the company's underlying fundamentals.

Summary of Operating Results: Net operating income was $84.3 million in the first quarter of 2020, up from $65.8 million in the first quarter of 2019. The increase is primarily related to higher investment income not allocated to product lines (as discussed in additional detail below), higher fee income and lower expenses not allocated to product lines. The increase in fee income in the 2020 period primarily reflects changes in assumptions used to estimate revenues on these sales, net of related distribution expenses. The decrease in expenses not allocated to product lines in the 2020 period is primarily due to lower legal expenses and incentive compensation. There were fluctuations in insurance margins by product which were generally offsetting.

Margin from Annuity Products (dollars in millions):

	Three months ended March 31, 2020	2019
Annuity margin:		
Fixed index annuities		
Insurance policy income	$ 3.3	$ 3.1
Net investment income	82.1	75.3
Insurance policy benefits	(1.0)	.5
Interest credited	(26.2)	(25.7)
Amortization and non-deferred commissions	(13.8)	(12.1)
Margin from fixed index annuities	$ 44.4	$ 41.1
Average net insurance liabilities	$ 6,921.4	$ 6,193.8
Margin/average net insurance liabilities	2.57%	2.65%
Fixed interest annuities		
Insurance policy income	$ .3	$ .5
Net investment income	28.1	32.8
Insurance policy benefits	(.1)	(.1)
Interest credited	(14.9)	(16.4)
Amortization and non-deferred commissions	(2.1)	(3.0)
Margin from fixed interest annuities	$ 11.3	$ 13.8
Average net insurance liabilities	$ 2,146.2	$ 2,417.3
Margin/average net insurance liabilities	2.11%	2.28%
Other annuities		
Insurance policy income	2.0	3.0
Net investment income	7.2	7.7
Insurance policy benefits	(4.4)	(8.3)
Interest credited	(.9)	(1.1)
Amortization and non-deferred commissions	(.1)	—
Margin from other annuities	$ 3.8	$ 1.3
Average net insurance liabilities	$ 551.5	$ 575.7
Margin/average net insurance liabilities	2.76%	0.90%
Total annuity margin	$ 59.5	$ 56.2
Average net insurance liabilities	$ 9,619.1	$ 9,186.8
Margin/average net insurance liabilities	2.47%	2.45%

Margin from fixed index annuities was $44.4 million in the first quarter of 2020, up 8.0 percent from 2019, driven primarily by growth in the block. Average net insurance liabilities (total insurance liabilities less: (i) amounts related to reinsured business; (ii) deferred acquisition costs; (iii) present value of future profits; and (iv) the value of unexpired options credited to insurance liabilities) were $6,921.4 million in the first quarter of 2020 compared to $6,193.8 million in the first quarter of 2019 driven by deposits and reinvested returns in excess of withdrawals in periods subsequent to the first quarter of 2019. The increase in net insurance liabilities results in higher net investment income allocated, however, the earned yield was 4.74 percent in the first quarter of 2020 down from 4.86 percent in the first quarter of 2019, reflecting lower market yields.

Net investment income and interest credited exclude the change in market values of the underlying options supporting the fixed index annuity products and corresponding amount credited to policyholder account balances. Such amounts were $(119.9) million and $37.9 million in the first quarters of 2020 and 2019, respectively.

Margin from fixed interest annuities was $11.3 million in the first quarter of 2020, down 18 percent from 2019, driven primarily by a reduction in the block. Average net insurance liabilities were $2,146.2 million in the first quarter of 2020 compared to $2,417.3 million in the first quarter of 2019 driven by withdrawals in excess of deposits and reinvested returns. The decrease in net insurance liabilities results in lower net investment income allocated. The earned yield decreased to 5.24 percent in the first quarter of 2020 from 5.43 percent in the first quarter of 2019, reflecting lower market yields.

Margin from other annuities in the first quarter of 2020 reflects favorable mortality compared to the same period in the prior year.

Margin from Health Products (dollars in millions):

	Three months ended March 31,	
	2020	2019
Health margin:		
Supplemental health		
Insurance policy income	$ 169.8	$ 163.2
Net investment income	34.9	35.0
Insurance policy benefits	(132.9)	(123.1)
Amortization and non-deferred commissions	(29.6)	(27.6)
Margin from supplemental health	$ 42.2	$ 47.5
Margin/insurance policy income	25%	29%
Medicare supplement		
Insurance policy income	$ 192.3	$ 195.0
Net investment income	1.2	1.2
Insurance policy benefits	(136.7)	(141.8)
Amortization and non-deferred commissions	(25.4)	(23.0)
Margin from Medicare supplement	$ 31.4	$ 31.4
Margin/insurance policy income	16%	16%
Total health margin	$ 73.6	$ 78.9
Margin/insurance policy income	20%	22%

Margin from supplemental health business was $42.2 million in the first quarter of 2020, down 11 percent from 2019, driven primarily by a decrease in the margin as a percentage of insurance policy income to 25% in the first quarter of 2020 compared to 29% in the prior year period. Insurance policy benefits in the 2019 period reflected better claims experience than expected. Insurance policy income increased due to new sales in recent periods.

Our 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 is a component of insurance policy benefits) 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, insurance policy benefits will typically increase, but the increase in benefits will be partially offset by investment income earned on the accumulated assets.

Margin from Medicare supplement business was $31.4 million in both the first quarters of 2020 and 2019. The margin on the Medicare supplement business in the first quarter of 2020 reflects lower persistency resulting in higher amortization expense offset by the related release of reserves included in insurance policy benefits. Insurance policy income was $192.3 million in the first quarter of 2020, down 1.4 percent from 2019, reflecting lower sales in recent periods partially offset by premium rate increases.

Medicare supplement business consists of both individual and group policies. Government regulations generally require we attain and maintain a ratio of total benefits incurred to total premiums earned (excluding changes in policy benefits reserves which is a component of Insurance policy benefits) of not less than 65 percent on individual products and not less than 75 percent on group products. The ratio is determined after three years from the original issuance of the policy and over the lifetime of the policy and measured 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. Changes to our estimates are reflected in Insurance policy benefits in the period the change is determined.

Margin from Life Products (dollars in millions):

	Three months ended March 31,	
	2020	2019
Life margin:		
Interest-sensitive life		
Insurance policy income	$ 39.6	$ 36.2
Net investment income	11.7	11.6
Insurance policy benefits	(15.7)	(15.9)
Interest credited	(10.2)	(10.0)
Amortization and non-deferred commissions	(7.4)	(7.0)
Margin from interest-sensitive life	$ 18.0	$ 14.9
Average net insurance liabilities	$ 900.1	$ 852.0
Interest margin	$ 1.5	$ 1.6
Interest margin/average net insurance liabilities	.67%	.75%
Underwriting margin	$ 16.5	$ 13.3
Underwriting margin/insurance policy income	42%	37%
Traditional life		
Insurance policy income	$ 154.5	$ 151.0
Net investment income	22.6	22.9
Insurance policy benefits	(116.2)	(114.9)
Interest credited	(.1)	(.2)
Amortization and non-deferred commissions	(14.5)	(13.9)
Advertising expense	(20.0)	(16.7)
Margin from traditional life	$ 26.3	$ 28.2
Margin/insurance policy income	17%	19%
Margin excluding advertising expense/insurance policy income	30%	30%
Total life margin	$ 44.3	$ 43.1

Margin from interest-sensitive life business was $18.0 million in the first quarter of 2020, up 21 percent from 2019. Insurance policy income was $39.6 million in the first quarter of 2020 reflecting a larger inforce block due to sales in recent periods from which we earn policy administration fees, cost of insurance charges and surrender charges. Insurance policy benefits were $15.7 million in the first quarter of 2020, down slightly from the same period in 2019.

The interest margin was $1.5 million and $1.6 million in the first quarters of 2020 and 2019, respectively. Net investment income allocated to the interest-sensitive life block was $11.7 million reflecting an average investment yield of 5.20 percent down from an average investment yield of 5.45 percent in the first quarter of 2019, reflecting lower market yields. Interest credited to policyholders may be changed annually but are subject to minimum guaranteed rates and, as a result, the reduction in our earned rate was not fully reflected in the rate credited to policyholders.

Net investment income and interest credited excludes the change in market values of the underlying options supporting the fixed index life products and corresponding amount credited to policyholder account balances. Such amounts were $(16.6) million and $5.7 million in the first quarters of 2020 and 2019, respectively.

Margin from Traditional life business was $26.3 million in the first quarter of 2020, down 6.7 percent from 2019. Insurance policy income was $154.5 million in the first quarter of 2020, up 2.3 percent from the 2019 period, reflecting new sales and persistency in the block. Insurance policy benefits were $116.2 million in the first quarter of 2020, up 1.1 percent from the same period in 2019, reflecting higher death claims.

Allocated net investment income was $22.6 million in the first quarter of 2020, down from $22.9 million in the first quarter of 2019, reflecting lower average investment yields.

Advertising expense was $20.0 million in the first quarter of 2020, up $3.3 million from the comparable period in 2019. The demand and cost of television advertising can fluctuate from period to period. We are disciplined with our marketing expenditures and will increase or decrease our marketing spend depending on prices.

Margin from Long-term Care Products (dollars in millions):

	Three months ended March 31,	
	2020	2019
Long-term care margin:		
Insurance policy income	$ 66.9	$ 67.3
Net investment income	34.3	33.3
Insurance policy benefits	(84.2)	(85.5)
Amortization and non-deferred commissions	(3.7)	(3.6)
Margin from long-term care	$ 13.3	$ 11.5
Margin/insurance policy income	20%	17%

Margin from Long-term care products was $13.3 million in the first quarter of 2020, up 16 percent from 2019. The margin as a percentage of insurance policy income increased to 20% in the first quarter of 2020 compared to 17% in the first quarter of 2019. The margin in the 2020 period benefited from reserve releases due to deaths that occurred.

Collected Premiums From Annuity and Interest-Sensitive Life Products (dollars in millions):

	Three months ended March 31,	
	2020	2019
Collected premiums from annuity and interest-sensitive life products:		
Annuities	$ 292.2	$ 315.7
Interest-sensitive life	53.1	47.5
Total collected premiums from annuity and interest-sensitive life products	$ 345.3	$ 363.2

Collected premiums from annuity and interest-sensitive products decreased 4.9 percent in the first quarter of 2020, compared to the first quarter of 2019, primarily due to lower premium collections from fixed index products. We have proactively managed the participation rates on our fixed index products in order to balance sales growth and profitability in the current low interest rate environment.

Investment Income Not Allocated to Product Lines (dollars in millions):

	Three months ended March 31,	
	2020	2019
Net investment income	$ 169.6	$ 355.8
Allocated to product lines:		
Annuity	(117.4)	(115.8)
Health	(36.1)	(36.2)
Life	(34.3)	(34.5)
Long-term care	(34.3)	(33.3)
Equity returns credited to policyholder account balances	136.5	(43.6)
Amounts allocated to product lines and credited to policyholder account balances	(85.6)	(263.4)
Amount related to variable interest entities and other non-operating items	(11.6)	(19.2)
Interest expense on debt	(13.6)	(12.1)
Interest expense on investment borrowings	(9.1)	(12.4)
Less amounts credited to deferred compensation plans (offsetting investment income)	7.7	(5.4)
Total adjustments	(26.6)	(49.1)
Investment income not allocated to product lines	$ 57.4	$ 43.3

The above table reconciles net investment income to investment income not allocated to product lines. Such amount will fluctuate from period to period based on the level of prepayment income (including call premiums); the performance of our alternative investments (which are typically reported a quarter in arrears); and the earnings related to the investments underlying our COLI. The increase in investment income not allocated to product lines in the first quarter of 2020 can be attributed to higher variable investment income including income on alternative investments and prepayment and call income.

Net Non-Operating Income (Loss) (dollars in millions):

The following summarizes our net non-operating income (loss) for the three months ending March 31, 2020 and 2019 (dollars in millions):

	Three months ended March 31,	
	2020	2019
Net realized investment losses from sales, impairments and change in allowance for credit losses (net of related amortization)	$ (63.7)	$ (.7)
Net change in market value of investments recognized in earnings	(48.4)	16.6
Fair value changes related to agent deferred compensation plan	—	(5.3)
Fair value changes in embedded derivative liabilities (net of related amortization)	(66.7)	(29.6)
Other	2.3	1.2
Net non-operating loss before taxes	$ (176.5)	$ (17.8)

Net realized investment losses in the first quarter of 2020 were $63.7 million (net of related amortization) including an increase in the allowance for credit losses and other-than-temporary impairment losses of $55.4 million which were recorded in earnings. The increase in the allowance for credit losses in the first quarter of 2020 reflects the market volatility and other impacts of the COVID-19 pandemic. We anticipate continued volatility and the potential for additional increases to the allowance for credit losses in future periods. Net realized investment losses in the first quarter of 2019 were $.7 million (net of related amortization) including other-than-temporary impairment losses of $2.2 million which were recorded in earnings.

During the first quarters of 2020 and 2019, we recognized an increase (decrease) in earnings of $(48.4) million and $16.6 million, respectively, due to the net change in market value of investments recognized in earnings.

During the first quarter of 2019, we recognized a decrease in earnings of $5.3 million for the mark-to-market change in the agent deferred compensation plan liability which was impacted by changes in the underlying actuarial assumptions used to value the liability. We recognize the mark-to-market change in the estimated value of this liability through earnings as assumptions change.

During the first quarters of 2020 and 2019, we recognized a decrease in earnings of $66.7 million and $29.6 million, respectively, resulting from changes in the estimated fair value of embedded derivative liabilities related to our fixed index annuities, net of related amortization. Such amounts include the impacts of changes in market interest rates used to determine the derivative's estimated fair value. At March 31, 2020, the weighted average discount rate used to value this liability was 1.19 percent compared to 1.88 percent at December 31, 2019. The discount rate is based on risk-free rates (U.S. Treasury rates for similar durations) adjusted for non-performance risk and risk margins for non-capital market inputs. The significant decrease in U.S. Treasury rates in the first quarter of 2020 was the primary factor in the change in estimated fair value of the embedded derivative liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Potential Impacts of COVID-19 Pandemic

Given the enormous amount of uncertainty of the impacts from the COVID-19 pandemic and the continued economic impact it will have, we are suspending the guidance we had previously provided at our Investor Day on February 26, 2020, regarding earnings per share growth and share repurchase capacity in 2020.

We expect the potential impact of the pandemic on our results will be largely driven by three things, the duration and severity of which is currently unknown:

- the impact of social distancing on our sales volumes;
- changes in mortality, morbidity, and persistency (or lapse rates) impacting insurance product margin; and
- the resulting economic recession driving: (i) lower net investment income through lower interest rates; (ii) the impact of credit deterioration on invested assets and capital; and (iii) potential impacts to reserves and deferred acquisition costs resulting from lower interest rates.

To develop a sense for the range of potential outcomes across these three dimensions, we have modeled two scenarios. These scenarios incorporate many assumptions and actual results for future periods may differ materially from the assumptions used in modeling the two scenarios. The first scenario we modeled assumes social distancing practices continue through the end of June 2020, after which economic activity slowly increases. In this scenario, we assumed 80,000 deaths from the virus in the United States based on estimates from the Institute for Health Metrics and Evaluation as of March 31, 2020. In the second scenario, we used the same assumptions as the first scenario initially, but assumed that a second wave of the virus then occurs in late July 2020, resulting in an additional 40,000 deaths in the third quarter of 2020. In the second scenario, we assumed social distancing continues through the early part of 2021.

In both scenarios, we assumed certain levels of various macroeconomic variables including gross domestic product, unemployment, interest rates, and ratings migration, among others. In the second scenario, many of these metrics approximate levels seen in the financial crisis in 2008 and 2009.

With respect to the impact of the COVID-19 pandemic on sales volumes, we expect our consolidated results in the second quarter of 2020 to be challenged. In April 2020, our Consumer Division life and health sales (new annualized premiums) were down approximately 24 percent from the prior year and collected premiums from our annuity products were down approximately 19 percent. As the economy continues to reopen and as our customers and agents become more accustomed to virtual transactions, we expect Consumer Division sales to improve.

We expect the path to recovery within our Worksite Division to be more difficult. In April 2020, the life and health sales in our Worksite Division decreased approximately 75 percent compared to the prior year. We currently expect sales in the Worksite Division to remain challenged through the third quarter of 2020 and begin to improve in the fourth quarter of 2020 in conjunction with open enrollment periods.

With respect to changes in mortality and morbidity, based on the modeling of the two scenarios described above we estimate that COVID-19 related claims could have an adverse impact on our full year 2020 insurance product margin in the range of approximately $20 million to $30 million across the two scenarios. While higher mortality claims unfavorably impact our life product margins, our health and long-term care margins generally benefit through the release of reserves.

We believe there is a possibility that high unemployment could translate to an increase in lapse rates in future periods. If higher lapse rates do occur, we expect that current period earnings would generally be favorably impacted but earnings in future periods would be unfavorably impacted, as the base of our inforce business would be lower.

Regarding our investment portfolio, we have evaluated a range of potential impacts from the pandemic, including impacts on credit migration, default levels, net investment income and capital. We used a range of assumptions which are market-consistent, or in-line with downside assumptions from rating agencies and consistent with past financial crises. Our evaluation focused in particular on COVID-19 impacted sectors such as real estate, airlines, retail, hospitality, and energy, among others.

With respect to the collective impact of the COVID-19 pandemic on earnings, we expect our operating earnings in the second quarter of 2020 to be meaningfully lower than the prior year period. This is driven by the expectation of lower net investment income (including from alternative investments, which are reported on a one quarter lag) and due to the impact of COVID-19 claims on insurance product margins. Earnings for the remainder of 2020 will likely be pressured by lower interest rates and possibly by increased pressure on insurance product margins related to COVID-19 impacts.

Our earnings in future periods may also be impacted by lowering our interest rate assumptions used in the valuation of our insurance liabilities. Although no change in assumptions was made as of March 31, 2020, we may conclude in future periods that it is appropriate to do so. The impact on earnings of any such change in interest rate assumptions will be dependent upon the interest rate assumptions used.

With respect to capital, based on the modeling described above, we project that credit migration could increase the required consolidated statutory capital of our insurance company subsidiaries and reduce our consolidated RBC ratio by 20 to 30 percentage points across our two scenarios. This is equivalent to a reduction of approximately $100 million to $150 million of free cash flow to maintain our target consolidated RBC ratio. This assumes no changes to the other factors used to calculate the RBC ratio. Even at the low end of our range of estimated outcomes, which assume the least favorable assumptions across the two scenarios described above, we believe we would be able to:

- maintain our target RBC levels, debt to capital ratios and minimum holding company liquidity;
- maintain our quarterly dividend to shareholders;
- not have to raise capital; and
- have some capacity for share repurchases.

Nevertheless, given the uncertain and fluid macroeconomic environment, we will continue to assess whether and when to resume share repurchases as conditions continue to evolve.

The two modeling scenarios described above, and the resulting range of estimated outcomes, are hypothetical and have been provided to give a general sense of how certain aspects of our business could be affected by COVID-19, depending on the duration and severity of the pandemic and related governmental and social responses and the economic consequences of the pandemic. There are many modeling scenarios which could result in materially different projected outcomes from the two described above and, accordingly the modeling scenarios described above do not constitute an exclusive set of possible outcomes resulting from COVID-19 which could affect our business, results of operations, financial condition and liquidity. Similarly, given the unprecedented nature of the COVID-19 pandemic, the assumptions used in these modeling scenarios, and the related range of outcomes, are based on assumed facts which are inherently unpredictable and, accordingly, if the pandemic progresses and updated assumptions were to be applied to the modeling scenarios the outcome generated by the application of updated assumptions to these modeling scenarios may be materially different from those described above. For example, the actual number of U.S. deaths and the related economic impacts from COVID-19 may differ materially from the assumptions used to generate the outcomes from the two scenarios. In this regard, as of the date hereof, the U.S. death toll from COVID-19, based on published sources, is already approximately 80,000, which death toll has occurred significantly earlier than either of our two scenarios assumed. Similarly, if the economic impact of COVID-19 is ultimately worse than contemplated by our modeled scenarios, the impact to our business, results of operations, financial condition and liquidity could be significantly different than described above.

Our capital structure as of March 31, 2020 and December 31, 2019 was as follows (dollars in millions):

	March 31, 2020	December 31, 2019
Total capital:		
Corporate notes payable	$ 989.4	$ 989.1
Shareholders' equity:		
Common stock	1.4	1.5
Additional paid-in capital	2,688.5	2,767.3
Accumulated other comprehensive income	595.2	1,372.5
Retained earnings	480.7	535.7
Total shareholders' equity	3,765.8	4,677.0
Total capital	$ 4,755.2	$ 5,666.1

The following table summarizes certain financial ratios as of and for the three months ended March 31, 2020 and as of and for the year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Book value per common share	$ 26.22	$ 31.58
Book value per common share, excluding accumulated other comprehensive income (a)	22.08	22.32
Debt to total capital ratios:		
Corporate debt to total capital	20.8%	17.5%
Corporate debt to total capital, excluding accumulated other comprehensive income (a)	23.8%	23.0%

(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 (Bankers Life, Washington National 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 March 31, 2020, the carrying value of the FHLB common stock was $71.0 million. As of March 31, 2020, 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 $2.1 billion at March 31, 2020, which are maintained in custodial accounts for the benefit of the FHLB.

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 406 percent at March 31, 2020, compared to 408 percent at December 31, 2019. The decrease is primarily due to a 23 percentage point decrease in investment valuation-related items which were substantially offset by statutory operating earnings and the impacts of a change in principle related to certain reserve calculations, net of dividends paid to the holding company. In the first three months of 2020, our estimated consolidated statutory operating earnings were $134 million and insurance company dividends of $67.8 million were paid to the holding company. Statutory operating income and capital and surplus were favorably impacted by $99 million and $53 million, respectively, related to certain provisions in the CARES Act. The favorable impact resulted from provisions that permitted the carryback of net operating losses that were created after 2017 and the temporary repeal of the 80% limitation on the utilization of NOLs created after 2017.

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 Fitch Ratings ("Fitch"), A.M. Best Company ("A.M. Best"), S&P and Moody's Investor Services, Inc. ("Moody's") are the rating agency's opinions of the ability of our insurance subsidiaries to pay policyholder claims and obligations when due.

On April 21, 2020, Fitch affirmed its "A-" financial strength ratings of our primary insurance subsidiaries. The outlook for these ratings remain 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 29, 2020, 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 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 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.

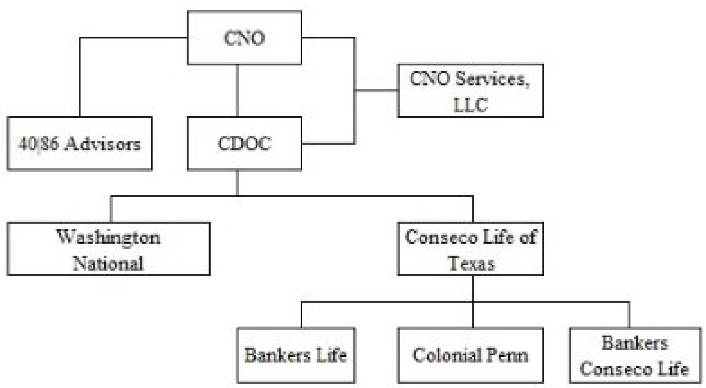
Rating agencies have increased the frequency and scope of their credit reviews and requested additional information from the companies that they rate, including us. They may also adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. 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 March 31, 2020, 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 $152.6 million and fixed income investments of $15.5 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 three months of 2020, our insurance subsidiaries paid dividends to CDOC totaling $67.8 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 353 percent at March 31, 2020. 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 March 31, 2020, the subsidiaries of CLTX had earned surplus (deficit) as summarized below (dollars in millions):

Subsidiaries of CLTX	Earned surplus (deficit)	Additional information
Bankers Life	$ 273.7	(a)
Colonial Penn	(354.2)	(b)

(a) Bankers Life paid dividends of $50.0 million to CLTX in the first three months of 2020. 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.

(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.

At March 31, 2020, there are no amounts outstanding under our Revolving Credit Agreement and there are no scheduled repayments of our direct corporate obligations until May 2025.

Free cash flow is a measure of holding company liquidity and is calculated as: (i) dividends, management fees and surplus debenture interest payments received from our subsidiaries; plus (ii) earnings on corporate investments; less (iii) interest expense, corporate expenses and net tax payments. In the first quarter of 2020, we generated approximately $82 million of such free cash flow. The Company is committed to deploying 100 percent of its free cash flow into investments to accelerate profitable growth, common stock dividends and share repurchases. However, in light of the current uncertainty related to the COVID-19 pandemic as further discussed in Item 1A - Risk Factors, we suspended share repurchases beginning in mid-March 2020. The amount and timing of future share repurchases (if any) will be based on business and market conditions and other factors including, but not limited to, available free cash flows, the current price of our common stock and investment opportunities. In the first three months of 2020, we repurchased 5.1 million shares of common stock for $83.0 million under our securities repurchase program. The Company had remaining repurchase authority of $449.3 million as of March 31, 2020.

In the first three months of 2020, dividends declared on common stock totaled $16.0 million ($0.11 per common share).

On April 20, 2020, Fitch affirmed its "BBB-" rating on our senior unsecured debt. The outlook for these ratings remain 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 29, 2020, 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 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 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 March 31, 2020, the amortized cost, gross unrealized gains, gross unrealized losses, allowance for credit 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	Allowance for credit losses	Estimated fair value
Investment grade (a):					
Corporate securities	$ 11,050.9	$ 1,200.9	$ (258.0)	$ (11.6)	$ 11,982.2
United States Treasury securities and obligations of United States government corporations and agencies	150.5	82.1	—	—	232.6
States and political subdivisions	1,970.6	254.7	(3.3)	(.6)	2,221.4
Foreign governments	88.1	6.2	(.7)	(.1)	93.5
Asset-backed securities	1,201.7	14.4	(69.3)	—	1,146.8
Agency residential mortgage-backed securities	72.7	7.6	—	—	80.3
Non-agency residential mortgage-backed securities	765.8	5.5	(29.3)	—	742.0
Commercial mortgage-backed securities	1,732.0	14.9	(114.3)	—	1,632.6
Collateralized loan obligations	458.4	—	(59.5)	—	398.9
Total investment grade fixed maturities, available for sale	17,490.7	1,586.3	(534.4)	(12.3)	18,530.3
Below-investment grade (a) (b):					
Corporate securities	689.9	6.9	(55.1)	(6.6)	635.1
Asset-backed securities	70.7	—	(11.8)	—	58.9
Non-agency residential mortgage-backed securities	1,088.4	42.9	(47.2)	(1.0)	1,083.1
Commercial mortgage-backed securities	80.5	—	(8.8)	—	71.7
Total below-investment grade fixed maturities, available for sale	1,929.5	49.8	(122.9)	(7.6)	1,848.8
Total fixed maturities, available for sale	$ 19,420.2	$ 1,636.1	$ (657.3)	$ (19.9)	$ 20,379.1

(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 National Association of Insurance Commissioners (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 March 31, 2020 is as follows (dollars in millions):

NAIC designation	Amortized cost	Estimated fair value	Percentage of total estimated fair value
1	$ 10,598.2	$ 11,332.2	55.6%
2	7,963.5	8,275.0	40.6
Total NAIC 1 and 2 (investment grade)	18,561.7	19,607.2	96.2
3	647.7	575.3	2.8
4	189.8	176.6	.9
5	11.9	11.8	.1
6	9.1	8.2	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	858.5	771.9	3.8
Total	$ 19,420.2	$ 20,379.1	100.0%

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 March 31, 2020 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
States and political subdivisions	$ 2,221.4	10.9%	$ 3.3	.5%
Non-agency residential mortgage-backed securities	1,825.1	8.9	76.5	11.6
Commercial mortgage-backed securities	1,704.3	8.4	123.1	18.7
Banks	1,480.9	7.3	32.8	5.0
Utilities	1,385.4	6.8	12.8	1.9
Insurance	1,359.5	6.7	23.4	3.6
Healthcare/pharmaceuticals	1,223.0	6.0	4.3	.7
Asset-backed securities	1,205.7	5.9	81.1	12.3
Food/beverage	884.9	4.3	16.6	2.5
Energy	689.9	3.4	115.7	17.6
Brokerage	674.1	3.3	16.5	2.5
Technology	662.9	3.3	5.8	.9
Telecom	524.7	2.6	4.2	.6
Transportation	507.5	2.5	10.2	1.5
Real estate/REITs	430.9	2.1	7.0	1.1
Cable/media	409.0	2.0	9.6	1.5
Collateralized loan obligations	398.9	2.0	59.5	9.1
Capital goods	390.4	1.9	4.3	.7
Chemicals	362.1	1.8	10.0	1.5
U.S. Treasury and Obligations	232.6	1.1	—	—
Aerospace/defense	212.6	1.0	2.1	.3
Other	1,593.3	7.8	38.5	5.9
Total fixed maturities, available for sale	$ 20,379.1	100.0%	$ 657.3	100.0%

Below-Investment Grade Securities

At March 31, 2020, the amortized cost of the Company's below-investment grade fixed maturity securities, available for sale, was $1,929.5 million, or 9.9 percent of the Company's fixed maturity portfolio. The estimated fair value of the below-investment grade portfolio was $1,848.8 million, or 96 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 and Unrealized Investment Losses

During the first three months of 2020, the $21.4 million of realized losses on sales of $174.3 million of fixed maturity securities, available for sale included: (i) $6.9 million related to various corporate securities; (ii) $11.7 million related to commercial mortgage-backed securities; and (iii) $2.8 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 three months of 2019, the $51.5 million of realized losses on sales of $747.4 million of fixed maturity securities, available for sale, included: (i) $44.6 million related to various corporate securities; (ii) $6.9 million related to various other investments.

The following summarizes the investments sold at a loss during the first three months of 2020 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	2	$ 4.2	$ 1.5
Greater than or equal to 6 months and less than 12 months prior to sale	1	.2	.1
Total	3	$ 4.4	$ 1.6

Prior to January 1, 2020, we regularly evaluated all of our investments with unrealized losses for possible impairment. Our assessment of whether unrealized losses were "other than temporary" required significant judgment. Factors considered included: (i) the extent to which fair value was less than the cost basis; (ii) the length of time that the fair value had been less than cost; (iii) whether the unrealized loss was 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 was investment-grade and/or had been downgraded since its purchase; (vi) whether the issuer was current on all payments in accordance with the contractual terms of the investment and was expected to meet all of its obligations under the terms of the investment; (vii) whether we intended to sell the investment or it was more likely than not that circumstances would 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 would 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 March 31, 2020, 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	$ 12.7	$ 12.0
Due after one year through five years	329.7	304.4
Due after five years through ten years	663.2	610.8
Due after ten years	2,384.9	2,127.3
Subtotal	3,390.5	3,054.5
Structured securities	4,013.8	3,672.6
Total	$ 7,404.3	$ 6,727.1

The following summarizes the investments in our portfolio rated below-investment grade not deemed to have credit losses which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of March 31, 2020 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	21	$ 119.9	$ (43.7)	$ 76.2
Greater than or equal to 6 months and less than 12 months	1	2.8	(1.9)	.9
Total		$ 122.7	$ (45.6)	$ 77.1

The following table summarizes the gross unrealized losses of our fixed maturity securities, available for sale, by category and ratings category as of March 31, 2020 (dollars in millions):

	Investment grade		Below-investment grade		
	AAA/AA/A	BBB	BB	B+ and below	Total gross unrealized losses
Commercial mortgage-backed securities	$ 97.1	$ 17.2	$ 7.9	$ .9	$ 123.1
Energy	2.7	83.7	29.3	—	115.7
Asset-backed securities	37.4	31.9	11.8	—	81.1
Non-agency residential mortgage-backed securities	20.8	8.5	27.4	19.8	76.5
Collateralized loan obligations	59.5	—	—	—	59.5
Banks	8.0	24.4	.1	.3	32.8
Insurance	3.1	18.8	1.4	.1	23.4
Food/beverage	—	11.4	2.1	3.1	16.6
Brokerage	6.9	9.2	.3	.1	16.5
Utilities	.5	11.2	.7	.4	12.8
Autos	.1	10.4	1.4	.1	12.0
Transportation	—	9.4	.5	.3	10.2
Chemicals	—	7.2	2.8	—	10.0
Cable/media	—	6.1	.6	2.9	9.6
Building materials	—	7.5	1.0	—	8.5
Real estate/REITs	2.4	4.3	.2	.1	7.0
Technology	—	4.2	.7	.9	5.8
Retail	—	4.2	—	.3	4.5
Capital goods	—	3.6	.5	.2	4.3
Healthcare/pharmaceuticals	.6	2.9	.3	.5	4.3
Telecom	—	4.2	—	—	4.2
Entertainment/hotels	—	2.8	1.2	.1	4.1
Metals and mining	—	3.6	.4	—	4.0
States and political subdivisions	.9	2.4	—	—	3.3
Aerospace/defense	—	1.9	—	.2	2.1
Consumer products	—	1.2	—	.8	2.0
Paper	—	.8	.2	—	1.0
Other	.7	.7	.8	.2	2.4
Total fixed maturities, available for sale	$ 240.7	$ 293.7	$ 91.6	$ 31.3	$ 657.3

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.

Structured Securities

At March 31, 2020, fixed maturity investments included structured securities with an estimated fair value of $5.2 billion (or 25.6 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 amortized cost and estimated fair value of structured securities at March 31, 2020, summarized by type of security, were as follows (dollars in millions):

		Estimated fair value	
Type	Amortized cost	Amount	Percent of fixed maturities
Asset-backed securities	$ 1,272.4	$ 1,205.7	5.9%
Agency residential mortgage-backed securities	72.7	80.3	.4
Non-agency residential mortgage-backed securities	1,854.2	1,825.1	8.9
Commercial mortgage-backed securities	1,812.5	1,704.3	8.4
Collateralized loan obligations	458.4	398.9	2.0
Total structured securities	$ 5,470.2	$ 5,214.3	25.6%

Residential mortgage-backed securities ("RMBS") include transactions collateralized by agency-guaranteed and non-agency mortgage obligations. Non-agency RMBS investments are primarily categorized by underlying borrower credit quality: Prime, Alt-A, Non-Qualified Mortgage ("Non-QM"), and Subprime. Prime borrowers typically default with the lowest frequency, Alt-A and Non-QM default at higher rates, and Subprime borrowers default with the highest frequency. In addition to borrower credit categories, RMBS investments include Re-Performing Loan ("RPL") and Credit Risk Transfer ("CRT") transactions. RPL transactions include borrowers with prior difficulty meeting the original mortgage terms and were subsequently modified, resulting in a sustainable payback arrangement. CRT securities are collateralized by Government-Sponsored Enterprise ("GSE") conforming mortgages and Prime borrowers, but without an agency guarantee against default losses.

Commercial mortgage-backed securities ("CMBS") 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 CMBS 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.

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 March 31,	
	2020	2019
Revenues:		
Net investment income – policyholder and other special-purpose portfolios	$ 11.6	$ 22.2
Fee revenue and other income	(.9)	1.6
Total revenues	10.7	23.8
Expenses:		
Interest expense	10.7	16.5
Other operating expenses	.3	.4
Total expenses	11.0	16.9
Income (loss) before net realized investment losses and income taxes	(.3)	6.9
Net realized investment losses	(30.1)	(8.2)
Loss before income taxes	$ (30.4)	$ (1.3)

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 March 31, 2020 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Healthcare/pharmaceuticals	$ 134.3	12.9%	$ 15.2	10.8%
Cable/media	114.4	11.0	10.2	7.3
Technology	112.8	10.9	16.5	11.7
Food/beverage	74.3	7.1	8.7	6.2
Capital goods	64.2	6.2	10.8	7.7
Brokerage	49.2	4.7	5.0	3.5
Aerospace/defense	47.6	4.6	6.4	4.5
Consumer products	45.3	4.4	9.2	6.5
Paper	44.1	4.2	5.4	3.8
Building materials	43.5	4.2	5.7	4.0
Chemicals	32.4	3.1	4.4	3.1
Autos	28.7	2.8	3.6	2.5
Transportation	26.7	2.6	4.4	3.1
Insurance	26.4	2.5	2.6	1.9
Retail	25.4	2.5	5.0	3.5
Utilities	25.3	2.4	2.8	2.0
Gaming	23.1	2.2	5.0	3.6
Business services	16.2	1.6	2.1	1.5
Entertainment/hotels	12.0	1.2	2.6	1.8
Metals and mining	11.1	1.1	1.9	1.4
Other	81.1	7.8	13.5	9.6
Total	$ 1,038.1	100.0%	$ 141.0	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 March 31, 2020, 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 in one year or less	$ 1.0	$ .4
Due after one year through five years	705.7	593.7
Due after five years through ten years	494.8	429.3
Due after ten years	4.0	3.4
Total	$ 1,205.5	$ 1,026.8

The following summarizes the investments sold at a loss during the first three months of 2020 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	2	$ 2.2	$ 1.4

The following summarizes the investments in our portfolio rated below-investment grade not deemed to have credit losses which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of March 31, 2020 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	28	$ 78.0	$ (18.2)	$ 59.8

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, 2019. There have been no material changes in the first three months of 2020 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 March 31, 2020, 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 March 31, 2020, 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, 2019, for further discussion of such risk factors. There have been no material changes from such previously disclosed risk factors other than those included below:

The COVID-19 pandemic has adversely impacted our business, and the ultimate effect on our business, results of operations and financial condition will depend on future developments that are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The COVID-19 pandemic has negatively impacted the U.S. and global economy, lowered equity market valuations, created significant volatility and disruption in the capital markets, dramatically increased unemployment levels and has fueled concerns that it will lead to a global recession. In addition, the pandemic has resulted in temporary closures of many businesses and schools and the institution of social distancing and sheltering in place requirements in many states and local communities. As a result, our ability to sell products through our regular channels and the demand for our products and services has been significantly impacted. The extent to which the COVID-19 pandemic impacts our business, results of operations or financial condition will depend on future developments which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic, and could cause us to revise financial targets or other guidance we have previously provided.

While we have implemented risk management and contingency plans and taken other precautions with respect to the COVID-19 pandemic, such measures may not adequately protect our business from the full impacts of the pandemic. Currently, most of our employees are working remotely with only a few operationally critical employees working at certain of our facilities for business continuity purposes. An extended period of remote work arrangements could strain our business continuity plans, introduce additional operational risk, including but not limited to cybersecurity risks, and impair our ability to effectively manage our business. The frequency and sophistication of attempts at unauthorized access to our technology systems and fraud may increase, and COVID-19 pandemic conditions may impair our cybersecurity efforts and risk management. We also outsource a variety of functions to third parties, including certain of our administrative operations. As a result, we rely upon the successful implementation and execution of the business continuity planning of such entities in the current environment. While we closely monitor the business continuity activities of these third parties, successful implementation and execution of their business continuity strategies are largely outside our control. If one or more of the third parties to whom we outsource certain critical business activities experience operational failures, or is otherwise unable to perform, as a result of the impacts from the spread of COVID-19 and governmental reactions thereto, it could adversely impact our business, results of operations or financial condition.

We expect higher claims on our life and certain health insurance products due to the COVID-19 pandemic which would unfavorably impact our results of operations. Beginning in the second quarter of 2020, the impact of claims in future quarters may be far greater than in prior quarters. In addition, economic uncertainty and unemployment resulting from the impacts of the spread of COVID-19 and governmental reactions thereto may also result in policyholders seeking sources of liquidity and withdrawing at rates greater than we previously expected. In addition, many state insurance departments are requiring insurers to offer flexible premium payment plans, relax payment dates, waive late fees and penalties in order to avoid canceling or non-renewing polices. If policyholder lapse and surrender rates or premium waivers significantly exceed our expectations, we may need to change our assumptions, models or reserves. The cost of reinsurance to us for these policies could increase, and we may encounter decreased availability of such reinsurance. Each of these could have a material adverse effect on our business, financial condition, results of operations, liquidity and cash flows. Such events or conditions could also have an adverse effect on product sales.

Our investment portfolio (specifically, the increased risk of defaults, downgrades, volatility in the valuations of certain investment assets we hold and lowered variable investment income and returns) has been, and may continue to be, adversely affected as a result the COVID-19 pandemic and uncertainty regarding its outcome. Moreover, declines in equity markets and interest rates, reduced liquidity or a continued slowdown in the United States or in global economic conditions may also adversely affect the values and cash flows of these assets. Our investments in mortgages and commercial mortgage-backed securities have been, and could continue to be, negatively affected by delays or failures of borrowers to make payments of principal and interest when due or delays or moratoriums on foreclosures or enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities. Further, severe market volatility may leave us unable to react to market events in a prudent manner consistent with our historical investment practices. Market dislocations, decreases in observable market activity or unavailability of information, in each case, arising from the spread of COVID-19, may restrict our access to key inputs used to derive certain estimates and assumptions made in connection with financial reporting or otherwise. Restricted access to such inputs may make our financial statement balances and estimates and assumptions used to run our business subject to greater variability and subjectivity.

Additionally, COVID-19 could negatively affect our internal controls over financial reporting as the vast majority of our employees are required to work from home and onsite locations remain closed, and therefore new processes, procedures, and controls could be required to respond to changes in our business environment. Further, should any key employees become ill from COVID-19 and unable to work, our ability to operate our internal controls may be adversely impacted.

Any of the direct or indirect effects of the COVID-19 pandemic may cause litigation or regulatory, investor, media, or public inquiries. We may face increased workplace safety costs and risks, lose access to critical employees, and face increased employment-related claims and employee-relations challenges, each of which may increase when our employees begin to return to our workplaces. Our costs to manage and effectively respond to these matters, and to address them in settlement or other ways, may increase.

Any uncertainty as a result of any of these events may require us to change our estimates, assumptions, models or reserves. Authorities may not accurately report population and impact data, such as death rates, infections, morbidity, hospitalizations, or illness that we use in our estimates, assumptions and models. Further, the speed at which these events are occurring increases the uncertainty of our estimates, assumptions and models. Any of these events could cause or contribute to the risks and uncertainties enumerated in our Annual Report on Form 10-K and could materially adversely affect our business, results of operations or financial condition. For additional forward-looking information and risks related to the impact of the pandemic, refer to Liquidity and Capital Resources - Potential Impacts of COVID-19 Pandemic included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Issuer Purchases of Equity Securities

Period (in 2020)	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)
January 1 through January 31	$ 1,458,149	$ 17.95	1,458,116	$ 506.2
February 1 through February 29	1,569,750	18.34	1,349,693	481.3
March 1 through March 31	2,366,428	13.98	2,274,816	449.3
Total	5,394,327	16.33	5,082,625	449.3

(a) In May 2011, the Company announced a securities repurchase program. Since that date, the Company's Board of Directors has authorized additional repurchases from time to time, most recently in November 2019 when it authorized the repurchase of an additional $500.0 million of the Company's outstanding securities.

ITEM 6. EXHIBITS.

10.1	CNO Financial Group, Inc. Amended and Restated Long-Term Incentive Plan.
10.2	Form of restricted stock unit award agreement for 2020 under the Amended and Restated Long-Term Incentive Plan.
10.3	Form of performance stock unit award agreement for 2020 under the Amended and Restated Long-Term Incentive Plan.
10.4	Form of officer acknowledgement & agreement pertaining to CNO Financial Group, Inc. Clawback Policy.
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: May 11, 2020

By: /s/ John R. Kline

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

Exhibit 10.1

CNO FINANCIAL GROUP, INC.
AMENDED AND RESTATED LONG-TERM INCENTIVE PLAN

CNO FINANCIAL GROUP, INC.
AMENDED AND RESTATED
LONG-TERM INCENTIVE PLAN

1. **Purpose**. The purpose of this Amended and Restated Long-Term Incentive Plan (the ***"Plan"***) is to aid CNO Financial Group, Inc., a Delaware corporation (together with its successors and assigns, the ***"Company"***), in attracting, retaining, motivating and rewarding certain employees and non-employee directors of the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for stockholders by closely aligning the interests of Participants with those of stockholders. The Plan authorizes stock based incentives for Participants. The Plan was initially established as the Conseco, Inc. 2003 Long-Term Incentive Plan, has been amended from time to time thereafter, and is hereby amended and restated effective upon approval by the stockholders of the Company.

2. **Definitions**. In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "***10% Shareholder***" shall have the meaning specified in Section 6(b)(iv).

(b) "***Annual Limit***" shall have the meaning specified in Section 5(b).

(c) "***Award***" means any Option, SAR, Restricted Stock, RSU, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(d) "***Beneficiary***" means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the "Beneficiary" instead will be the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written and duly filed beneficiary designation to receive the benefits specified under the Participant's Award upon such Participant's death.

(e) "***Board***" means the Company's Board of Directors.

(f) "***Change in Control***" means the occurrence of any of the following events:

(i) the acquisition (other than an acquisition in connection with a "Non-Control Transaction" (as defined below)) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of "beneficial ownership" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company or its Ultimate Parent representing 51% or more of the combined voting power of the then outstanding securities of the Company or its Ultimate Parent entitled to vote generally with respect to the election of the board of directors of the Company or its Ultimate Parent; or

(ii) as a result of or in connection with a tender or exchange offer or contest for election of directors, individual board members of the Company (identified as of the date of commencement of such tender or exchange offer, or the commencement of such election contest, as the case may be) cease to constitute at least a majority of the board of directors of the Company; or

(iii) the consummation of a merger, consolidation or reorganization with or into the Company unless (x) the stockholders of the Company immediately before such transaction beneficially own, directly or indirectly, immediately following such transaction, securities representing 51% or more of the combined voting power of the then outstanding securities entitled to vote generally with respect to the election of the board of directors of the Company (or its successor) or, if applicable, the Ultimate

Parent and (y) individual board members of the Company (identified as of the date that a binding agreement providing for such transaction is signed) constitute at least a majority of the board of directors of the Company (or its successor) or, if applicable, the Ultimate Parent (a transaction to which clauses (x) and (y) apply, a "***Non-Control Transaction***").

(g) "***Code***" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation thereunder shall include any successor provisions and regulations, and reference to regulations includes any applicable guidance or pronouncement of the Department of the Treasury and Internal Revenue Service.

(h) "***Committee***" means the Human Resources and Compensation Committee of the Board, the composition and governance of which is established in the Committee's Charter as approved from time to time by the Board and subject to Section 303A.05 of the Listed Company Manual of the New York Stock Exchange, and other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or the Plan. The full Board may perform any function of the Committee hereunder except to the extent limited under Section 303A.05 of the Listed Company Manual, in which case the term "Committee" shall refer to the Board.

(i) "***Covered Employee***" means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(j) "***Dividend Equivalent***" means a right, granted under this Plan, to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(k) "***Effective Date***" means the effective date specified in Section 11(q).

(l) "***Eligible Person***" has the meaning specified in Section 5.

(m) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(n) "***Fair Market Value***" means the fair market value of Stock, Awards or other property as determined in good faith by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the officially-quoted closing selling price of the Stock on the principal stock exchange or market on which Stock is traded on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported. Fair Market Value relating to the exercise price or base price of any Non-409A Option or SAR shall conform to requirements under Code Section 409A.

(o) "***409A Awards***" means Awards that constitute a deferral of compensation under Code Section 409A and regulations thereunder. "**Non-409A Awards**" means Awards other than 409A Awards. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs exercisable for Stock, and Restricted Stock will be Non-409A Awards unless otherwise expressly specified by the Committee.

(p) "***ISO***" means any Option designated as an incentive stock option within the meaning of Code Section 422 and qualifying thereunder.

(q) "***Option***" means a right, granted under the Plan, to purchase Stock.

(r) "***Other Stock-Based Awards***" means Awards granted to a Participant under Section 6(h).

(s) "***Participant"*** means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(t) "***Performance Award***" means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments.

(u) "***Restricted Stock***" means Stock granted under the Plan which is subject to certain restrictions and to a risk of forfeiture.

(v) "***RSU***" means a right, granted under the Plan, to receive Stock, cash or other Awards or a combination thereof at the end of a specified deferral period.

(w) "***Retirement***" means, unless otherwise stated in an applicable Award agreement, Participant's voluntary termination of employment after achieving either (i) 62 years of age or (ii) 60 years of age with at least 10 years of employment with the Company.

(x) "***Rule 16b-3***" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(y) "***Stock***" means the Company's Common Stock, par value $0.01 per share, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

(z) "***SAR***" means a right granted to a Participant under Section 6(c).

(aa) "***Ultimate Parent***" means the parent corporation (or if there is more than one parent corporation, the ultimate parent corporation) that, following a transaction, directly or indirectly beneficially owns a majority of the voting power of the outstanding securities entitled to vote with respect to the election of the board of directors of the Company (or its successor).

3. **Administration**.

(a) ***Authority of the Committee.*** The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto (including outstanding Awards); to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and stockholders.

(b) ***Manner of Exercise of Committee Authority.*** The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may act through subcommittees, including for purposes of perfecting exemptions under Rule 16b-3, in which case the subcommittee shall be subject to and have authority under the charter applicable to the Committee, and the acts of the subcommittee shall be deemed to be acts of the Committee hereunder. The Committee may delegate the administration of the Plan to one or more officers or employees of the Company, and such administrator(s) may have the authority to execute and distribute Award agreements or other documents evidencing or relating to Awards granted by the Committee under this Plan, to maintain records relating to Awards, to process or oversee the issuance of Stock under Awards, to interpret and administer the terms of Awards, to make grants of Awards to officers (other than any officer subject to Section 16 of the Exchange Act) and employees of the Company (including any prospective officer (other than any such officer who is expected to be subject to Section 16 of the Exchange Act) or employee) subject to an individual maximum annual Award limit as determined and approved at the Committee's discretion, and all necessary and appropriate decisions and determinations with respect thereto and to take such other actions as may be necessary or appropriate for the administration of the Plan and of Awards under the Plan, provided that in no case shall any such administrator be authorized (i) to take any action that would result in the loss of an exemption under Rule 16b-3 for Awards granted to or held by Participants who at the time are subject to Section 16 of the Exchange Act in respect of the Company, (ii) to take any action inconsistent with Section 157 and other applicable provisions of the Delaware General Corporation Law, or (iii) to make any determination required to be made by the Committee under the New York Stock Exchange corporate governance standards applicable to listed company compensation committees (currently, Rule 303A.05). Any action by any such administrator within the scope of its delegation shall be deemed for all purposes to have been taken by the Committee and, except as otherwise specifically provided, references in this Plan to the Committee shall include any such administrator. The Committee (and, to the extent it so provides, any subcommittee) shall have sole authority to determine whether to review any actions and/or interpretations of any such administrator, and if the Committee shall decide to conduct such a review, any such actions and/or interpretations of any such administrator shall be subject to approval, disapproval or modification by the Committee.

(c) ***Limitation of Liability.*** The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. **Stock Subject to Plan**.

(a) ***Overall Number of Shares Available for Delivery.*** The total number of shares of Stock reserved for delivery in connection with Awards under this Plan shall be 38,239,505 shares. The total number of shares available is subject to adjustment as provided in Section 11(c). Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares. No more than 12,750,000 shares may be delivered hereunder as ISOs.

(b) ***Share Counting Rules.*** The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments in accordance with this Section 4(b). Shares shall be counted against those reserved to the extent such shares have been delivered and are no longer subject to a risk of forfeiture; provided, however, that notwithstanding the above, the number of shares available for issuance under the Plan shall be reduced by 1.25 shares of Stock for every one share of Stock issued in respect of an Award other than an Award of an Option, SAR, or Award that must be settled in cash. To the extent that an Award under the Plan is canceled, expired, forfeited, settled in cash, or otherwise terminated without delivery of shares to the Participant, the shares retained by or returned to the Company will be available under the Plan. The preceding sentence shall not be applicable with respect to (i) the cancellation of an SAR granted in tandem with an Option upon the exercise of the Option or (ii) the cancellation of an Option granted in tandem with an SAR upon the exercise of the SAR. The following shares, however, may not be made available for issuance as Awards under this Plan: (a) shares not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (b) shares used to pay the exercise price or withholding taxes related to an outstanding Award, or (c) shares repurchased on the open market with the proceeds from the exercise of an Option. In addition, in the case of any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate or with which the Company or a subsidiary or affiliate combines, shares issued or issuable in connection with such substitute Award shall not be counted against the number of shares reserved under the Plan.

5. **Eligibility; Per-Person Award Limitations**.

(a) ***Eligibility.*** Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means (i) an employee of the Company or any subsidiary or affiliate, including any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate, (ii) any non-employee directors of the Company or (iii) other individuals who perform services for the Company or any subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan, if so determined by the Committee. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. Holders of awards who will become Eligible Persons granted by a company or business acquired by the Company or a subsidiary or affiliate, or with which the Company or a subsidiary or affiliate combines, are eligible for grants of substitute awards granted in assumption of or in substitution for such outstanding awards previously granted under the Plan in connection with such acquisition or combination transaction, if so determined by the Committee.

(b) ***Per-Person Award Limitations.*** In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards under each of Section 6(b) through (i) relating to up to his or her Annual Limit (such Annual Limit to apply separately to the type of Award authorized under each specified subsection). A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 1,000,000 shares, subject to adjustment as provided in Section 11(c). Additionally, the maximum number of shares of Stock subject to Awards granted during a single calendar year to any non-employee director, taken together with any cash or other fees earned by such non-employee director during such calendar year, shall not exceed (i) $500,000 in total value in the case of non-employee directors other than the Board Chair or Lead Director or (ii) $950,000 in total value in the case of the Board Chair or Lead Director (in each case, calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes).

6. **Specific Terms of Awards**.

(a) ***General.*** Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Sections 11(e) and 11(k)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan, subject to Section 11(k). The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the Delaware General Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) ***Options.*** The Committee is authorized to grant Options to Participants on the following terms and conditions:

(i) ***Exercise Price.*** The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that, notwithstanding anything contained herein to the contrary such exercise price shall be (A) fixed as of the grant date, and (B) not less than the Fair Market Value of a share of Stock on the grant date. Notwithstanding the foregoing, any substitute award granted in assumption of or in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate, or with which the Company or a subsidiary or affiliate combines, may be granted with an exercise price per share of Stock other than as required above.

(ii) ***No Repricing.*** Except for adjustments as permitted by Section 11(c), without the approval of stockholders, the Committee will not amend, replace, substitute, or exchange previously granted Options in a transaction that constitutes a "repricing," which means any of the following: (i) changing the terms of an Option to lower its exercise price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; (iii) repurchasing for cash or canceling an Option at a time when its exercise price is greater than the Fair Market Value of the underlying shares of Stock in exchange for another Award; or (iv) as such term is used in Section 303A.08 of the Listed Company Manual of the New York Stock Exchange.

(iii) ***Option Term; Time and Method of Exercise.*** The Committee shall determine the term of each Option, provided that in no event shall the term of any Option exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part. In addition, the Committee shall determine the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Sections 11(k) and 11(l)), including, without limitation, cash, Stock (including by withholding Stock deliverable upon exercise), other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through broker-assisted "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants.

(iv) ***ISOs.*** Notwithstanding anything to the contrary in this Section 6, in the case of the grant of an Option intending to qualify as an ISO: (i) if the Participant owns stock possessing more than 10 percent of the combined voting power of all classes of stock of the Company (a "***10% Shareholder***"), the purchase price of such Option must be at least 110 percent of the fair market value of the Common Stock on the date of grant and the Option must expire within a period of not more than five (5) years from the date of grant, and (ii) termination of employment will occur when the person to whom an Award was granted ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company and its subsidiaries. Notwithstanding anything in this Section 6 to the contrary, Options designated as ISOs shall not be eligible for treatment under the Code as ISOs to the extent that either (iii) the aggregate fair market value of shares of Common Stock (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any subsidiary) exceeds $100,000, taking Options into account in the order in which they were granted, and (iv) such Options otherwise remain exercisable but are not exercised within three (3) months of termination of employment (or such other period of time provided in Section 422 of the Code).

(v) ***Minimum Vesting.*** Options may not vest earlier than the first anniversary of the grant date (or the grantee's commencement of service)(if such grant is made in connection with such commencement), The foregoing minimum vesting condition need not apply (A) in the case of the death, disability or Retirement of the Participant or termination in connection with a Change in Control and (B) with respect to up to an aggregate of five percent of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) as Options without regard to such minimum vesting requirements.

(c) ***SARs.*** The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(i) ***Right to Payment.*** An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, shares of Stock having a value equal to the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, in the case of a "Limited SAR," the Fair Market Value determined by reference to the change in control price, as defined under the applicable award agreement) over (B) the exercise or settlement price of the SAR as determined by the Committee. SARs may be granted to Participants from time to time either in tandem with or as a component of other Awards granted under the Plan ("tandem SARs") or not in conjunction with other Awards ("freestanding SARs") and may, but need not, relate to a specific Option granted under Section 6(b). The per share price for exercise or settlement of SARs (including both tandem SARs and freestanding SARs) shall be determined by the Committee, but in the case of SARs that are granted in tandem to an Option shall not be less than the exercise price of the Option and in the case of freestanding SARs shall be (A) fixed as of the grant date, and (B) not less than the Fair Market Value of a share of Stock on the grant date.

(ii) ***No Repricing.*** Except for adjustments as permitted by Section 11(c), without the approval of stockholders, the Committee will not amend, replace, substitute, or exchange previously granted SARs in a transaction that constitutes a "repricing," which means any of the following (i) changing the terms of an SAR to lower its exercise or settlement price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; (iii) repurchasing for cash or canceling an SAR at a time when its exercise or settlement price is greater than the Fair Market Value of the underlying shares of Stock in exchange for another Award; or (iv) as such term is used in Section 303A.08 of the Listed Company Manual of the New York Stock Exchange.

(iii) ***Other Terms.*** The Committee shall determine the term of each SAR, provided that in no event shall the term of an SAR exceed a period of ten years from the date of grant. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on future service requirements), the method of exercise, method of settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, and whether or not a SAR shall be free-standing or in tandem or combination with any other Award. Limited SARs that may only be exercised in connection with a Change in Control or termination of service following a Change in Control as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. The Committee may require that an outstanding Option be exchanged for an SAR exercisable for Stock having vesting, expiration, and other terms substantially the same as the Option, so long as such exchange will not result in additional accounting expense to the Company.

(iv) ***Minimum Vesting.*** SARs may not vest earlier than the first anniversary of the grant date (or the grantee's commencement of service)(if such grant is made in connection with such commencement), The foregoing minimum vesting condition need not apply (A) in the case of the death, disability or Retirement of the Participant or termination in connection with a Change in Control, and (B) with respect to up to an aggregate of five percent of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) as SARs without regard to such minimum vesting requirements.

(d) ***Restricted Stock.*** The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) ***Award and Restrictions.*** Subject to Section 6(d)(ii), Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).

(ii) ***Forfeiture.*** Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.

(iii) ***Limitation on Vesting.*** The grant, issuance, retention, vesting and/or settlement of Restricted Stock shall occur at such time and in such installments as determined by the Committee or under criteria established by the Committee. Subject to Section 10, the Committee shall have the right to make the timing of the grant and/or the issuance, ability to retain, vesting and/or settlement of Restricted Stock subject to continued employment, passage of time and/or such performance conditions as deemed appropriate by the Committee; provided that the grant, issuance, retention, vesting and/or settlement of a Restricted Stock Award that is based in whole or in part on performance conditions and/or the level of achievement versus such performance conditions shall be subject to a performance period of not less than one year, and any Award based solely upon continued employment or the passage of time shall vest over a period not less than three years, with no portion vesting in less than one year, from the date the Award is made, provided that such vesting may occur ratably over the three-year period. The foregoing minimum vesting conditions need not apply (A) in the case of the death, disability or Retirement of the Participant or termination in connection with a Change in Control and (B) with respect to up to an aggregate of five percent of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) as Restricted Stock or RSUs without regard to such minimum vesting requirements.

(iv) ***Certificates for Stock.*** Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(v) ***Dividends and Splits.*** As a condition to the grant of an Award of Restricted Stock on or after the Effective Date of the Plan, the Committee shall require that any dividends paid on a share of Restricted Stock shall be held in an account for the benefit of the Participant, to be paid out only upon vesting of such Restricted Stock, or automatically reinvested in additional Restricted Stock, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) ***RSUs.*** The Committee is authorized to grant RSUs to Participants, subject to the following terms and conditions:

(i) ***Award and Restrictions.*** Subject to Section 6(e)(ii), RSUs shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance conditions and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. A Participant granted RSUs shall not have any of the rights of a stockholder, including the right to vote, until Stock shall have been issued in the Participant's name pursuant to the RSUs, except that the Committee may provide for dividend equivalents pursuant to Section 6(e)(iii) below.

(ii) ***Limitation on Vesting.*** The grant, issuance, retention, vesting and/or settlement of RSUs shall occur at such time and in such installments as determined by the Committee or under criteria established by the Committee. Subject to Section 10, the Committee shall have the right to make the timing of the grant and/or the issuance, ability to retain, vesting and/or settlement of

RSUs subject to continued employment, passage of time and/or such performance conditions as deemed appropriate by the Committee; provided that the grant, issuance, retention, vesting and/or settlement of an RSU that is based in whole or in part on performance conditions and/or the level of achievement versus such performance conditions shall be subject to a performance period of not less than one year, and any Award based solely upon continued employment or the passage of time shall vest over a period not less than three years from the date the Award is made, provided that such vesting may occur ratably over the three-year period. RSUs may not vest earlier than the first anniversary of the grant date (or the grantee's commencement of service, if such grant is made in connection with such commencement). The foregoing minimum vesting conditions need not apply (A) in the case of the death, disability or Retirement of the Participant or termination in connection with a Change in Control, and (B) with respect to up to an aggregate of five percent of the shares of Stock authorized under the Plan, which may be granted (or re-granted upon forfeiture) as Restricted Stock or RSUs without regard to such minimum vesting requirements.

(iii) ***Dividend Equivalents.*** As a condition to the grant of an Award of RSUs on or after the Effective Date of the Plan, Dividend Equivalents on the specified number of shares of Stock covered by an Award of RSUs shall be payable only upon vesting of such RSUs, or deferred with respect to such RSUs, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional RSUs, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) ***Bonus Stock and Awards in Lieu of Obligations.*** The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) ***Dividend Equivalents.*** The Committee is authorized to grant Dividend Equivalents to a Participant, which may be awarded on a free-standing basis or in connection with another Award other than an Option, ISO, or SAR. The Committee may provide that Dividend Equivalents shall be held in an account for the benefit of the Participant, to be paid out upon vesting of such Award or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify. Notwithstanding the foregoing, the Committee may not payout any dividends or Dividend Equivalents with respect to any unvested Award under this Plan.

(h) ***Other Stock-Based Awards.*** The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Any such other Stock-based Award that is based in whole or in part on performance conditions and/or the level of achievement versus such performance conditions shall be subject to a performance period of not less than one year, and any such other Stock-based Award based solely on continued employment or the passage of time shall vest over a period of not less than three years, with no portion vesting in less than one year, from the date the Award is made, provided that such vesting may occur ratably over the three-year period. The foregoing minimum vesting conditions need not apply (A) in the case of the death, disability or Retirement of the Participant or termination in connection with a Change in Control and (B) with respect to up to an aggregate of five percent of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) as other Awards without regard to such minimum vesting requirements. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) ***Performance Awards.*** Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. **Performance-Based Compensation**. Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions.

8. **Certain Provisions Applicable To Awards**.

(a) ***Stand-Alone, Additional, Tandem, and Substitute Awards.*** Subject to the provisions of Sections 6(b)(ii) and 6(c)(ii), awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate; provided, however, that a 409A Award may not be granted in tandem with a Non-409A Award. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Sections 11(k) and (l), the Committee may determine that, in granting a new Award, the in-the-money value or fair value of any surrendered Award or award or the value of any other right to payment surrendered by the Participant may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

(b) ***Term of Awards.*** The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in the Plan.

(c) ***Form and Timing of Payment under Awards; Deferrals.*** Subject to the terms of the Plan (including Sections 11(k) and (l)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events, subject to Sections 11(k) and (l). Subject to Section 11(k), installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. In the case of any 409A Award that is vested and no longer subject to a risk of forfeiture (within the meaning of Code Section 83), such Award will be distributed to the Participant, upon application of the Participant, if the Participant has had an unforeseeable emergency within the meaning of Code Sections 409A(a)(2)(A)(vi) and 409A(a)(2)(B)(ii), in accordance with Section 409A(a)(2)(B)(ii).

(d) ***Limitation on Vesting of Certain Awards.*** Subject to Section 8, Restricted Stock will vest over a minimum period of three years, with no portion vesting in less than one year, except in the event of a Participant's death, disability, or retirement, or in the event of a Change in Control or other special circumstances. The foregoing notwithstanding, Restricted Stock as to which either the grant or vesting is based on, among other things, the achievement of one or more performance conditions generally will vest over a minimum period of one year except in the event of a Participant's death, disability, or retirement, or in the event of a Change in Control or other special circumstances, and provided further up to five percent of the shares of Stock authorized under the Plan including non-employee director awards may be granted as Restricted Stock without any minimum vesting requirements. For purposes of this Section 8(d), a performance period that precedes the grant of the Restricted Stock will be treated as part of the vesting period if the participant has been notified promptly after the commencement of the performance period that he or she has the opportunity to earn the Award based on performance and continued service, and vesting over a three-year period or one-year period will include periodic vesting over such period if the rate of such vesting is proportional (or less rapid) throughout such period.

(e) ***Cash Settlement of Awards.*** To the extent permitted by the Committee at the time of grant or thereafter, the Company may deliver cash in full or partial satisfaction, payment and/or settlement upon exercise, cancellation, forfeiture or surrender of any Award.

9. **Change in Control**. The Committee may set forth in any Award Agreement the effect, if any, that a Change in Control or other, similar transaction shall have on any awards granted under this Plan.

10. **Additional Award Forfeiture Provisions**.

(a) ***Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements.*** Unless otherwise determined by the Committee, each Award granted hereunder, other than Awards granted to non-employee directors, shall be subject to the following additional forfeiture conditions, to which the Participant, by accepting an Award hereunder, agrees. If any of the events specified in Section 10(b)(i), (ii), or (iii) occurs (a *"Forfeiture Event"*), all of the following forfeitures will result:

(i) The unexercised portion of each Option held by the Participant, whether or not vested, and any other Award not then settled will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and

(ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefore by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award that occurred on or after (A) the date that is six months prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary or affiliate, or (B) the date that is six months prior to the date the Participant's employment by the Company or a subsidiary or affiliate terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term "Award Gain" shall mean (i), in respect of a given Option exercise, the product of (X) the Fair Market Value per share of Stock at the date of such exercise (without regard to any subsequent change in the market price of shares) minus the exercise price times (Y) the number of shares as to which the Option was exercised at that date, and (ii), in respect of any other settlement of an Award granted to the Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection such settlement.

(b) ***Events Triggering Forfeiture.*** The forfeitures specified in Section 10(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during Participant's employment by the Company or a subsidiary or affiliate, or during the one-year period following termination of such employment:

(i) Participant, acting alone or with others, directly or indirectly, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder unless Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary or affiliate; (B) induces any customer or supplier of the Company or a subsidiary or affiliate, with which the Company or a subsidiary or affiliate has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the Company or any subsidiary or affiliate; or

(C) induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary or affiliate to terminate such employment or service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company. For purposes of this Section 10(b)(i), a Participant's interest as a stockholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant's interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;

(ii) Participant discloses, uses, sells, or otherwise transfers, except in the course of employment with or other service to the Company or any subsidiary or affiliate, any confidential or proprietary information of the Company or any subsidiary or affiliate, including but not limited to information regarding the Company's current and potential customers, organization, employees, finances, and methods of operations and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain (other than by Participant's breach of this provision), except as required by law or pursuant to legal process, or Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the Company or any of its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process; or

(iii) Participant fails to cooperate with the Company or any subsidiary or affiliate in any way, including, without limitation, by making himself or herself available to testify on behalf of the Company or such subsidiary or affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary or affiliate in any way, including, without limitation, in connection with any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary or affiliate, as reasonably requested.

(c) ***Agreement Does Not Prohibit Competition or Other Participant Activities.*** Although the conditions set forth in this Section 10 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries and affiliates. Rather, the non-occurrence of the Forfeiture Events set forth in Section 10(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Sections 10(a) and 10(b).

(d) ***Committee Discretion.*** The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section, but no such waiver shall be effective unless evidenced by a writing signed by a duly authorized officer of the Company. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

11. **General Provisions**.

(a) ***Compliance with Legal and Other Requirements.*** The Company may, to the extent deemed necessary or advisable by the Committee and subject to Section 11(k), postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

(b) ***Limits on Transferability; Beneficiaries.*** No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the Participant's death, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative. A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) ***Adjustments.*** In the event of any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event, the Committee, in order to prevent dilution or enlargement of a Participant's rights under this Plan shall, in an equitable manner as determined by the Committee, adjust any or all of (i) the number and kind of shares of Stock or other securities of the Company or other issuer which are subject to the Plan, (ii) the number and kind of shares of Stock or other securities of the Company or other issuer by which annual per-person Award limitations are measured under Section 5, including the share limits applicable to non-employee director Awards under Section 5(b), (iii) the number and kind of shares of Stock or other securities of the Company or other issuer subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, settlement price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(l)) or other Award. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including performance-based Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or non-recurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets, or in response to changes in applicable laws, regulations, or accounting principles) affecting any performance conditions.

(d) ***Tax Provisions.***

(i) ***Withholding.*** The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction or event involving an Award, or to require a Participant to remit to the Company an amount in cash or other property (including Stock) to satisfy such withholding before taking any action with respect to an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award, provided that the Committee may allow for additional withholding not to exceed any maximum statutorily permitted amount. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee, or in satisfaction of other tax obligations. The Company can delay the delivery to a Participant of Stock under any Award to the extent necessary to allow the Company to determine the amount of withholding to be collected and to collect and process such withholding.

(ii) ***Required Consent to and Notification of Code Section 83(b) Election.*** No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the

Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) ***Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b).*** If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (i.e., a disqualifying disposition), such Participant shall notify the Company of such disposition within ten days thereof.

(e) ***Changes to the Plan.*** The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan at any time and from time to time without the consent of stockholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's stockholders for approval not later than the earliest annual meeting for which the record date is at or after the date of such Board action:

(i) If such stockholder approval is required by any federal or state law or regulation or the rules of the New York Stock Exchange or any other stock exchange or automated quotation system on which the Stock may then be listed or quoted; or

(ii) If such amendment would materially increase the number of shares reserved for issuance and delivery under the Plan; or

(iii) If such amendment would alter the provisions of the Plan restricting the Company's ability to grant Options or SARs with an exercise price that is not less than the Fair Market Value of Stock; or

(iv) In connection with any action to amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing," as such term defined herein under Sections 6(b)(ii) and 6(c)(ii).

The Board may otherwise, in its discretion, determine to submit other amendments to the Plan to stockholders for approval; and provided further, that, without the consent of an affected Participant, no such Board (or the Committee) action may materially and adversely affect the rights of such Participant under any outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty on the Participant). With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification.

(f) ***Right of Setoff.*** The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time (including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant), such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) ***Unfunded Status of Awards; Creation of Trusts.*** To the extent that any Award is deferred compensation, the Plan is intended to constitute an "unfunded" plan for deferred compensation with respect to such Award. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) ***Non-exclusivity of the Plan.*** Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable.

(i) ***Payments in the Event of Forfeitures; Fractional Shares.*** No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) [Intentionally Omitted]

(k) ***Certain Limitations on Awards to Ensure Compliance with Code Section 409A.*** For purposes of this Plan, references to an award term or event (including any authority or right of the Company or a Participant) being "permitted" under Section 409A mean, for a 409A Award, that the term or event will not cause the Participant to be liable for payment of interest or a tax penalty under Section 409A and, for a Non-409A Award, that the term or event will not cause the Award to be treated as subject to Section 409A. Other provisions of the Plan notwithstanding, the terms of any 409A Award and any Non-409A Award, including any authority of the Company and rights of the Participant with respect to the Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A. For this purpose, other provisions of the Plan notwithstanding, the Company shall have no authority to accelerate distributions relating to 409A Awards in excess of the authority permitted under Section 409A, and any distribution subject to Section 409A(a)(2)(A)(i) (separation from service) to a "key employee" as defined under Section 409A(a)(2)(B)(i), shall not occur earlier than the earliest time permitted under Section 409A(a)(2)(B)(i).

(l) ***Certain Limitations Relating to Accounting Treatment of Awards.*** Other provisions of the Plan notwithstanding, the Committee's authority under the Plan (including under Sections 8(c), 11(c) and 11(d)) is limited to the extent necessary to ensure that any Option or other Award of a type that the Committee has intended to be subject to fixed accounting shall not become subject to "variable" accounting solely due to the existence of such authority, unless the Committee specifically determines that the Award shall remain outstanding despite such "variable" accounting.

(m) ***Governing Law.*** The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(n) ***Awards to Participants Outside the United States.*** The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(n) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Exchange Act for the Participant whose Award is modified.

(o) ***Limitation on Rights Conferred under Plan.*** Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time (subject to the terms and provisions of any separate written agreements), (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(p) ***Severability; Entire Agreement.*** If any of the provisions of the Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any agreements or documents designated by the Committee as setting forth the terms of an Award contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(q) ***Plan Effective Date and Termination.*** The Plan as hereby amended shall become effective if, and at such time as, the stockholders of the Company have approved it in accordance with applicable law and stock exchange requirements. The Board may suspend or terminate the Plan at any time. Unless earlier terminated by action of the Board, the authority of the Committee to make grants under the Plan shall terminate on the date that is ten years after the latest date upon which stockholders of the Company have approved the Plan, and the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan, or as set forth above, and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

Exhibit 10.2

CNO FINANCIAL GROUP, INC.

Re: Grant of Restricted Stock Unit Award

CNO Financial Group, Inc., a Delaware corporation (the "***Company***"), is pleased to advise you that pursuant to the Company's Amended and Restated Long-Term Incentive Plan (the "***Plan***"), the Company has granted you an award of the number of restricted share units (the "***Restricted Shares***") set forth on the Company's stock plan administration vendor website (the "***Award Summary***"), effective as of the date set forth on the Award Summary (the "***Date of Grant***"), subject to the terms and conditions of the Plan and the terms and conditions set forth herein. Any capitalized terms used herein and not defined herein have the meaning set forth in the Plan.

1. Restricted Shares. Each Restricted Share represents the right to receive one share of the Company's Common Stock, par value $.01 per share ("***Common Stock***"), plus Dividend Equivalents thereon (as described in Section 5(b) below) subject to satisfaction of the service vesting criteria set forth on the Award Summary. Upon satisfaction of such vesting criteria, the shares of Common Stock that have vested will be issued to you. When issued, the shares of Common Stock shall be fully paid and nonassessable.

2. Restrictions on Transfer. You may not sell, assign, transfer, convey, pledge, exchange or otherwise encumber or dispose the Restricted Shares, except to the Company, until they have become nonforfeitable as provided in paragraph 3 hereof and in accordance with Section 6 of the Plan. Any purported encumbrance or disposition in violation of the provisions of this paragraph 2 shall be void ab initio, and the other party to any such purported transaction shall not obtain any rights to or interest in the Restricted Shares.

3. Vesting of Restricted Shares.

(a) Except as provided in paragraphs 3(b) - (e) and 4(b) below, the Restricted Shares shall vest and shares of Common Stock shall be issued to you only if you remain a director, officer or employee (or an approved service provider) of the Company or a Subsidiary through the vesting dates set forth on the Award Summary.

(b) In the event your employment is terminated by the Company or a Subsidiary without Cause or by you for Good Reason within six months prior to and in anticipation of or within 24 months after a Change in Control has occurred, any unvested Restricted Shares shall vest in full as of such date of termination.

(c) If your employment is terminated by the Company or a Subsidiary due to your death, any unvested Restricted Shares shall vest in full as of such date.

(d) If your employment is terminated by the Company or a Subsidiary due to your Disability, any unvested Restricted Shares shall continue to vest thereafter on the same vesting schedule as if you had remained an employee.

(e) If your employment is terminated by the Company or a Subsidiary for any reason other than Cause, death or Disability (or in connection with a Change in Control), then a pro rata portion of the next installment of the Restricted Shares shall vest and you shall be entitled to receive Common Stock for the pro rata portion as of the date of the next such installment. For purposes of the foregoing, the pro rata portion shall be calculated based on the number of days from the date on which the most recent installment of the Restricted Shares vested (or if no installments have vested, from the date of grant) to the date of termination divided by the number of days between the date on which the most recent installment of the Restricted Shares vested (or if no installments have vested, from the date of grant) to the date on which the next installment of the Restricted Shares is scheduled to vest.

4. Forfeiture of Restricted Shares.

(a) Except as expressly set forth in paragraph 4(b) below or in any written employment agreement between you and the Company or a Subsidiary (whether entered into prior to or after the date of this agreement), if you cease to be (or do not become) a director, officer or employee of the Company or a Subsidiary (or cease (or do not begin) to otherwise perform services for the Company or a Subsidiary) for any reason, except as and to the extent the Restricted Shares have vested pursuant to paragraph 3 hereof, you shall forfeit the portion of the Restricted Shares which has not vested and the Restricted Shares so forfeited shall be cancelled.

(b) If you elect to terminate your employment with the Company or a Subsidiary and you satisfy the definition of Retirement set forth in the Plan, then any unvested Restricted Shares shall continue to vest after your retirement on the same vesting schedules as if you had remained an employee.

5. Dividend, Voting and Other Rights.

(a) Until issuance of shares of Common Stock pursuant to Section 1 hereof, you shall have no voting or other rights of a stockholder with respect to the Restricted Shares.

(b) *Dividend Equivalents.* You shall have the right to receive Dividend Equivalents on Restricted Shares that become vested hereunder, payable in cash without interest, to the extent that (i) cash dividends are paid or payable on the Common Stock underlying the Restricted Shares after the date of this agreement and prior to the issuance of shares of Common Stock underlying the Restricted Shares and (ii) the record date for such payment of cash dividends was on or after the date of this agreement. Such Dividend Equivalents shall be subject to any required tax withholding, and shall be payable on or about such date or dates as the cash dividends are paid on the underlying Common Stock.

6. Certain Definitions. For the purposes of this agreement, the following terms have the meanings set forth below:

"Board" means the Board of Directors of the Company.

“Cause” means the occurrence of one or more of the following events, as determined by the Committee:

(i) commission of (x) a felony or (y) any crime or offense lesser than a felony involving the property of the Company or a Subsidiary; or

(ii) conduct that has caused demonstrable and serious injury to the Company or a Subsidiary, monetary or otherwise; or

(iii) willful refusal to perform or substantial disregard of duties properly assigned; or

(iv) breach of duty of loyalty to the Company or a Subsidiary or other act of fraud or dishonesty with respect to the Company or a Subsidiary.

"Change in Control" means the occurrence of any of the following events:

(i) the acquisition (other than an acquisition in connection with a "Non-Control Transaction" (as defined below)) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of "beneficial ownership" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company or its Ultimate Parent representing 51% or more of the combined voting power of the then outstanding securities of the Company or its Ultimate Parent entitled to vote generally with respect to the election of the board of directors of the Company or its Ultimate Parent; or

(ii) as a result of or in connection with a tender or exchange offer or contest for election of directors, individual board members of the Company (identified as of the date of commencement of such tender or exchange offer, or the commencement of such election contest, as the case may be) cease to constitute at least a majority of the board of directors of the Company; or

(iii) the consummation of a merger, consolidation or reorganization with or into the Company unless (x) the stockholders of the Company immediately before such transaction beneficially own, directly or indirectly, immediately following such transaction securities representing 51% or more of the combined voting power of the then outstanding securities entitled to vote generally with respect to the election of the board of directors of the Company (or its successor) or, if applicable, the Ultimate Parent and (y) individual board members of the Company (identified as of the date that a binding agreement providing for such transaction is signed) constitute at least a majority of the board of directors of the Company (or its successor) or, if applicable, the Ultimate Parent (a transaction to which clauses (x) and (y) apply, a "Non-Control Transaction").

"Disability" means that, solely because of injury or sickness, you are either: (i) unable to perform all the material duties of the occupation that you routinely performed just prior to the date the Disability begins; or (ii) unable to earn 80% or more of your annual salary in effect just prior to the date the Disability begins.

"Fair Market Value" of a share of Common Stock of the Company means, as of the date in question, the officially-quoted closing selling price of the stock (or if no selling price is quoted, the bid price) on the principal securities exchange on which the Common Stock is then listed for trading (including for this purpose the Nasdaq National Market) (the "Market") for the applicable trading day or, if the Common Stock is not then listed or quoted in the Market, the Fair Market Value shall be the fair value of the Common Stock determined in good faith by the Board.

"Good Reason" means (i) any material diminution in the nature or scope of your authority, duties or responsibilities from those you had as of the date immediately preceding the Change in Control, (ii) requiring your relocation to a location more than 50 miles from your primary location of employment immediately preceding the Change in Control without your consent or (iii) any reduction in your base salary or target bonus opportunity without your consent.

"Subsidiary" means a corporation or other entity of which outstanding shares or ownership interests representing 50% or more of the combined voting power of such corporation or other entity entitled to elect the management thereof, or such lesser percentage as may be approved by the Committee, are owned directly or indirectly by the Company.

"Ultimate Parent" means the parent corporation (or if there is more than one parent corporation, the ultimate parent corporation) that, following a transaction, directly or indirectly beneficially owns a majority of the voting power of the outstanding securities entitled to vote with respect to the election of the board of directors of the Company (or its successor).

7. Withholding Taxes. If the Company or any Subsidiary shall be required to withhold any federal, state, local or foreign tax in connection with any issuance or vesting of Restricted Shares or other securities pursuant to this agreement, and the amounts available to the Company or such Subsidiary for such withholding are insufficient, you shall pay the tax or make provisions that are satisfactory to the Company or such Subsidiary for the payment thereof. If permitted at such time by the Company, you may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company or such Subsidiary a portion of the Restricted Shares that become nonforfeitable hereunder, and the Restricted Shares so surrendered by you shall be credited against any such withholding obligation at the Fair Market Value of such Restricted Shares on the date of such surrender.

8. No Special Right to Employment. Nothing in this agreement shall interfere with or limit in any way the right of the Company to terminate your employment or other performance of services at any time, nor confer upon you any right to continue in the employ or as a director or officer of, or in the performance of other services for, the Company or a Subsidiary for any period of time, or to continue your present (or any other) rate of compensation or level of responsibility. Nothing in this agreement shall confer upon you any right to be selected again as a Plan participant, and nothing in the Plan or this agreement shall provide for any adjustment to the number of Restricted Shares upon the occurrence of subsequent events except as provided in the Plan.

9. Relation to Other Benefits. Any economic or other benefit to you under this agreement or the Plan shall not be taken into account in determining any benefits to which you may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

10. Amendments to Plan. Any amendment to the Plan shall be deemed to be an amendment to this agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect your rights under this agreement without your consent.

11. Severability. Whenever possible, each provision of this agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this agreement.

12. Conformity with Plan. This agreement and the Restricted Shares granted pursuant hereto are intended to conform in all respects with, and are subject to all applicable provisions of, the Plan (which is incorporated herein by reference). Inconsistencies between this agreement and the Plan shall be resolved in accordance with the terms of the Plan. By accepting the award you acknowledge your receipt of this agreement and the Plan and agree to be bound by all of the terms of this agreement and the Plan.

13. Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto whether so expressed or not.

14. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this agreement shall be in writing and shall be deemed to have been given when (i) delivered personally, (ii) mailed by certified or registered mail, return receipt requested and postage prepaid or (iii) sent by reputable overnight courier, to the recipient. Such notices, demands and other communications shall be sent to you at the address on file with the Company and to the Company at 11825 N. Pennsylvania Street, Carmel, Indiana 46032, Attn: General Counsel, or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

15. Governing Law. THE VALIDITY, CONSTRUCTION, INTERPRETATION, ADMINISTRATION AND EFFECT OF THE PLAN, AND OF ITS RULES AND REGULATIONS, AND RIGHTS RELATING TO THE PLAN AND TO THIS AGREEMENT, SHALL BE GOVERNED BY THE SUBSTANTIVE LAWS, BUT NOT THE CHOICE OF LAW RULES, OF THE STATE OF DELAWARE.

16. Descriptive Headings. The descriptive headings of this agreement are inserted for convenience only and do not constitute a part of this agreement.

17. Entire Agreement. This agreement, any written employment agreement between you and the Company or a Subsidiary to the extent contemplated by paragraph 4(a) hereof, and the terms of the Plan constitute the entire understanding between you and the Company, and supersede all other agreements, whether written or oral, with respect to your acquisition of the Restricted Shares.

18. Section 409A. The Restricted Shares awarded hereunder are intended to be Non-409A Awards (as defined in the Plan) and are at all times intended to comply with Section 409A of the

Code, as provided under the Plan. To the extent that Section 409A(a)(2)(B)(i) (regarding certain payments to “key employees” in connection with a separation from service) requires the Company to delay payment and/or other delivery beyond the date(s) otherwise specified in this agreement, the Company shall pay such amounts to you upon the earliest date permitted under Section 409A(a)(2)(B)(i) of the Code without incurring excise tax.

Details of the Award of Restricted Shares are displayed on the Company’s equity administration website in the Award Summary.

To execute this agreement and confirm your understanding and acceptance of the agreements contained you must click the Accept button.

Very truly yours,

CNO FINANCIAL GROUP, INC.

By: Yvonne K. Franzese, Chief Human Resources Officer

Exhibit 10.3

CNO FINANCIAL GROUP, INC.

Re: ***Grant of Performance Share Award***

CNO Financial Group, Inc., a Delaware corporation (the "***Company***"), is pleased to advise you that pursuant to the Company's Amended and Restated Long-Term Incentive Plan (the "***Plan***"), the Company has granted you an award of the number of performance share units set forth on the Company's stock plan administration vendor's website (the "***Award Summary***"), effective as of the date displayed on the Award Summary (the "***Grant Date***"), subject to the terms and conditions of the Plan and the terms and conditions set forth herein. Any capitalized terms used herein and not defined herein have the meaning set forth in the Plan.

1. Performance Shares. Each Performance Share represents the right to receive one share of the Company's Common Stock, par value $.01 per share ("***Common Stock***"), plus Dividend Equivalents thereon (as described in Section 5(b) below) subject to satisfaction of the service and performance-based vesting criteria described in Section 3 below and Schedule A-1 of the Award Summary. Upon satisfaction of such vesting criteria, the shares of Common Stock that have vested will be issued to you. When issued, the shares of Common Stock shall be fully paid and nonassessable.

2. Transfer Restrictions. You may not sell, assign, transfer, convey, pledge, exchange or otherwise encumber or dispose of the Performance Shares, except to the Company. Any purported encumbrance or disposition in violation of the provisions of this Section 2 shall be void ab initio, and the other party to any such purported transaction shall not obtain any rights to or interest in the Performance Shares.

3. Vesting of Performance Shares.

(a) The Performance Shares shall vest (in whole or in part) based upon satisfying the vesting criteria set forth on Schedule A-1 of the Award Summary. Except as set forth below, underlying shares of Common Stock shall be issued to you only if you remain employed by the Company or a Subsidiary through the vesting date of the Performance Shares, which is anticipated to occur no later than March 15, 2023. Decisions regarding vesting and payment of the Performance Shares shall be final as determined by the Committee in its sole and absolute discretion.

(b) If you elect to terminate your employment with the Company or a Subsidiary and you satisfy the definition of Retirement set forth in the Plan, or if your employment is terminated by the Company or a Subsidiary for any reason other than Cause, death or Disability (unless the termination is in connection with a Change in Control), then a pro rata portion of the Performance Shares shall vest (based on the number of days from January 1, 2020 to and including the date of your Retirement divided by 1,096) and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive shares of Common Stock under this award.

(c) If your employment is terminated by the Company or a Subsidiary due to your death or Disability, then a pro rata portion of the Performance Shares shall vest (based on the number of days from the beginning of the performance period to and including the date your employment is terminated) and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive shares of Common Stock under such award.

(d) Any Performance Shares that do not vest pursuant to Sections 3(a) - 3(c) above shall be cancelled.

(e) In the event your employment is terminated by the Company or a Subsidiary without Cause or by you for Good Reason within six months prior to and in anticipation of or within 24 months after a Change in Control has occurred, a pro rata portion of any unvested Performance Shares shall vest (based on the number of days from the beginning of the performance period to and including the date your employment is terminated) on such date.

4. Forfeiture of Performance Shares. Except as set forth in Section 3 above or expressly set forth in any written agreement between you and the Company or a Subsidiary (whether entered into prior to or after the date of this letter agreement), if you cease to be an employee of the Company or a Subsidiary for any reason, except as and to the extent the Common Stock underlying the Performance Shares has been issued to you, you shall forfeit the remaining portion of the Performance Shares.

5. Dividend, Voting and Other Rights.

(a) Until issuance of shares of Common Stock pursuant to Section 1 hereof, you shall have no voting or other rights of a stockholder with respect to the Performance Shares.

(b) *Dividend Equivalents.* You shall have the right to receive Dividend Equivalents on Performance Shares that become vested hereunder, payable in cash without interest, to the extent that (i) cash dividends are paid or payable on the Common Stock underlying the Performance Shares after the date of this agreement and prior to the issuance of shares of Common Stock underlying the Performance Shares and (ii) the record date for such payment of cash dividends was on or after the date of this agreement. Such Dividend Equivalents shall be subject to any required tax withholding, and shall be payable on or about such date or dates as the underlying Common Stock is issued to you in an amount equal to the number of shares of Common Stock delivered in respect of your vested Performance Shares multiplied by the aggregate per share dividends declared and paid on or after the date of this letter agreement and prior to the issuance of shares of Common Stock underlying the Performance Shares.

6. Certain Definitions. For the purposes of this letter agreement, the following terms have the meanings set forth below:

"Board" means the Board of Directors of the Company.

"Cause" means the occurrence of one or more of the following events, as determined by the Committee:

(i) commission of (x) a felony or (y) any crime or offense lesser than a felony involving the property of the Company or a Subsidiary; or

(ii) conduct that has caused demonstrable and serious injury to the Company or a Subsidiary, monetary or otherwise; or

(iii) willful refusal to perform or substantial disregard of duties properly assigned; or

(iv) breach of duty of loyalty to the Company or a Subsidiary or other act of fraud or dishonesty with respect to the Company or a Subsidiary.

"Change in Control" means the occurrence of any of the following events:

(i) the acquisition (other than an acquisition in connection with a "Non-Control Transaction" (as defined below)) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of "beneficial ownership" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company or its Ultimate Parent representing 51% or more of the combined voting power of the then outstanding securities of the Company or its Ultimate Parent entitled to vote generally with respect to the election of the board of directors of the Company or its Ultimate Parent; or

(ii) as a result of or in connection with a tender or exchange offer or contest for election of directors, individual board members of the Company (identified as of the date of commencement of such tender or exchange offer, or the commencement of such election contest, as the case may be) cease to constitute at least a majority of the board of directors of the Company; or

(iii) the consummation of a merger, consolidation or reorganization with or into the Company unless (x) the stockholders of the Company immediately before such transaction beneficially own, directly or indirectly, immediately following such transaction securities representing 51% or more of the combined voting power of the then outstanding securities entitled to vote generally with respect to the election of the board of directors of the Company (or its successor) or, if applicable, the Ultimate Parent and (y) individual board members of the Company (identified as of the date that a binding agreement providing for such transaction is signed) constitute at least a majority of the board of directors of the Company (or its successor) or, if applicable, the Ultimate Parent (a transaction to which clauses (x) and (y) apply, a "***Non-Control Transaction***").

"Disability" means that, solely because of injury or sickness, you are either: (i) unable to perform all the material duties of the occupation that you routinely performed just prior to the date the Disability begins; or (ii) unable to earn 80% or more of your annual salary in effect just prior to the date the Disability begins.

"Good Reason" means (i) any material diminution in the nature or scope of your authority, duties or responsibilities from those you had as of the date immediately preceding the Change in Control, (ii) requiring your relocation to a location more than 50 miles from your primary location of employment immediately preceding the Change in Control without your consent or (iii) any reduction in your base salary or target bonus opportunity without your consent.

"Subsidiary" means a subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

"Ultimate Parent" means the parent corporation (or if there is more than one parent corporation, the ultimate parent corporation) that, following a transaction, directly or indirectly beneficially owns a majority of the voting power of the outstanding securities entitled to vote with respect to the election of the board of directors of the Company (or its successor).

7. Withholding Taxes. If the Company or any Subsidiary shall be required to withhold any federal, state, local or foreign tax in connection with any issuance or vesting of Performance Shares or other securities pursuant to this agreement, and the amounts available to the Company or such Subsidiary for such withholding are insufficient, you shall pay the tax or make provisions that are satisfactory to the Company or such Subsidiary for the payment thereof. If permitted at such time by the Company, you may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company or such Subsidiary a portion of the Performance Shares that become nonforfeitable hereunder, and the Performance Shares so surrendered by you shall be credited against any such withholding obligation at the Fair Market Value of the Common Stock underlying such Performance Shares on the date of such surrender.

8. No Special Right to Employment. Nothing in this agreement shall interfere with or limit in any way the right of the Company to terminate your employment or other performance of services at any time, nor confer upon you any right to continue in the employ or as a director or officer of, or in the performance of other services for, the Company or a Subsidiary for any period of time, or to continue your present (or any other) rate of compensation or level of responsibility. Nothing in this agreement shall confer upon you any right to be selected again as a Plan participant, and nothing in the Plan or this agreement shall provide for any adjustment to the number of Performance Shares upon the occurrence of subsequent events except as provided in the Plan.

9. Relation to Other Benefits. Any economic or other benefit to you under this agreement or the Plan shall not be taken into account in determining any benefits to which you may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

10. Amendments to Plan. Any amendment to the Plan shall be deemed to be an amendment to this agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect your rights under this agreement without your consent.

11. Severability. Whenever possible, each provision of this agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this agreement.

12. Conformity with Plan. This agreement and the Performance Shares granted pursuant hereto are intended to conform in all respects with, and are subject to all applicable provisions of, the Plan (which is incorporated herein by reference). Inconsistencies between this agreement and the Plan shall be resolved in accordance with the terms of the Plan. By accepting this grant of Performance Shares on the Company's equity administration website, you acknowledge your receipt of this agreement and the Plan and agree to be bound by all of the terms of this agreement and the Plan.

13. Successors and Assigns. Except as otherwise expressly provided herein, all covenants and agreements contained in this agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto whether so expressed or not.

14. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this agreement shall be in writing and shall be deemed to have been given when (i) delivered personally, (ii) mailed by certified or registered mail, return receipt requested and postage prepaid or (iii) sent by reputable overnight courier, to the recipient. Such notices, demands and other communications shall be sent to you at the address on file with the Company and to the Company at 11825 N. Pennsylvania Street, P.O. Box 1911 (46082), Carmel, Indiana 46032, Attn: General Counsel, or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

15. Governing Law. THE VALIDITY, CONSTRUCTION, INTERPRETATION, ADMINISTRATION AND EFFECT OF THE PLAN, AND OF ITS RULES AND REGULATIONS, AND RIGHTS RELATING TO THE PLAN AND TO THIS AGREEMENT, SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS, AND APPLICABLE PROVISIONS OF FEDERAL LAW.

16. Descriptive Headings. The descriptive headings of this agreement are inserted for convenience only and do not constitute a part of this agreement.

17. Entire Agreement. This agreement, any written agreement between you and the Company or a Subsidiary to the extent contemplated by Section 4 hereof, and the terms of the Plan constitute the entire understanding between you and the Company, and supersede all other agreements, whether written or oral, with respect to your acquisition of the Performance Shares.

18. Section 409A. The Performance Shares awarded hereunder are intended to comply with Section 409A of the Code, as provided under the Plan. In accordance therewith, to the extent that Section 409A(a)(2)(B)(i) (regarding certain payments to "key employees" in connection with a separation from service) requires the Company to delay payment and /or delivery of shares of Common Stock in respect of your vesting Performance Shares beyond the date(s) otherwise specified in this agreement, the Company shall pay such amounts to you upon the earliest date permitted under 409A(a)(2)(B)(i) of the Code with incurring excise tax.

Details of the Award are set forth in the Award Summary.

To execute this agreement and confirm your understanding and acceptance of the agreements contained you must click the Accept button.

Very truly yours,

CNO FINANCIAL GROUP, INC.

By: Yvonne K. Franzese, Chief Human Resources Officer

Exhibit 10.4

OFFICER ACKNOWLEDGEMENT & AGREEMENT
PERTAINING TO CNO FINANCIAL GROUP, INC. CLAWBACK POLICY

This Acknowledgement & Agreement (the "Acknowledgement") is delivered by the undersigned officer ("Executive"), as the date set forth below, to CNO Financial Group, Inc. (the "Company"). Executive is an officer (as defined under Section 16 of the Securities Exchange Act of 1934, as amended) of the Company and an employee of the Company or one of its subsidiaries.

Effective January 31, 2020, the Board of Directors (the "Board") of the Company adopted a clawback policy, attached as **Exhibit A** hereto (as amended, restated, supplemented or otherwise modified from time to time by the Board, the "Clawback Policy"). The Clawback Policy provides for the recoupment of certain compensation from officers in the event of (i) an accounting restatement resulting from material noncompliance with financial reporting requirements under applicable law, or (ii) other detrimental conduct that has caused or is likely to cause material financial, operational or reputational harm to the Company.

In consideration of the continued benefits to be received from the Company (and/or any subsidiary of the Company) and Executive's right to participate in, and as a condition to the receipt of, Incentive Compensation (as defined in the Clawback Policy), Executive hereby acknowledges and agrees to the following:

1. Executive has read and understands the Clawback Policy and has had an opportunity to ask questions to the Company regarding the Clawback Policy.

2. Executive agrees to be bound by and to abide by the terms of the Clawback Policy and intends for the Clawback Policy to be applied to the fullest extent of the law.

3. The Clawback Policy shall apply to any and all Incentive Compensation that is approved, awarded or granted to Executive on or after January 31, 2020 and any Incentive Compensation that is outstanding as of January 31, 2020.

4. In the event of any inconsistency between the provisions of the Clawback Policy and this Acknowledgement or any applicable incentive-based compensation arrangements, employment agreement, equity agreement or similar agreement or arrangement setting forth the terms and conditions of any Incentive Compensation, the terms of the Clawback Policy shall govern.

No modifications, waivers or amendments of the terms of this Acknowledgement shall be effective unless signed in writing by Executive and the Company. The provisions of this Acknowledgement shall inure to the benefit of the Company, and shall be binding upon, the successors, administrators, heirs, legal representatives and assigns of Executive.

By signing below, Executive agrees to the application of the Clawback Policy and the other terms of this Acknowledgement.

____
(Signature)

EXHIBIT A

CNO FINANCIAL GROUP, INC.
CLAWBACK POLICY

INTRODUCTION.

The Board of Directors of the Company (the "Board") believes that it is in the best interests of CNO Financial Group, Inc., a Delaware corporation (together with its direct and indirect subsidiaries, the "Company") and its stockholders to create and maintain a culture that emphasizes integrity and accountability, that reinforces the Company's pay-for-performance compensation philosophy and deters wrongdoing. The Board has therefore adopted this Clawback Policy (this "Policy") which provides for the recoupment of certain compensation in the event of (i) an accounting restatement resulting from material noncompliance with financial reporting requirements under the Federal securities laws, or (ii) other detrimental conduct that has caused or is likely to cause material financial, operational or reputational harm to the Company.

ADMINISTRATION.

This Policy shall be administered by the Board or, if so designated by the Board, the Human Resources and Compensation Committee of the Board (the "Compensation Committee"), in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

COVERED EXECUTIVES.

This Policy applies to any current or former officer of the Company who is (or was at any time from and after the Effective Time (as defined below)) subject to Section 16 of the Securities Exchange Act of 1934, as amended from time to time (each, a "Covered Executive").

RECOUPMENT; ACCOUNTING RESTATEMENT.

In the event the Company is required to prepare a restatement of its financial statements ("Accounting Restatement") due in whole or in part to the Company's material noncompliance with any financial reporting requirement under applicable law (including any rule or regulation promulgated thereunder), the Board may require reimbursement or forfeiture of any Excess Incentive Compensation (as defined below) deemed to have been received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement (the "Covered Period"). For the avoidance of doubt, in no event will a restatement of the Company's financial statements that is not due in whole or in part to the Company's material noncompliance with any financial reporting requirement under applicable law (including any rule or regulation promulgated thereunder) be considered an Accounting Restatement under this Policy. For example, a restatement due exclusively to a retrospective application of any one or more of the following will not be considered an Accounting Restatement under this Policy: (A) a change in accounting principles; (B) revision to reportable segment information due to a change in the structure of the Company's internal organization; (C) reclassification due to a discontinued operation; (D) application of a change in reporting entity, such as from a reorganization of entities under common control;

(E) adjustment to provision amounts in connection with a prior business combination; and (F) revision for stock splits.

For purposes of this Policy, "Incentive Compensation" means any (A) annual bonus or other short and long-term cash incentive that is earned, and (B) equity award that is vested, in each case, based (in whole or in part) on the attainment of one or more "financial reporting measures." For these purposes, "financial reporting measures" are any measures used in preparing the Company's financial statements or terms of compensation awards (or results that are derived from such measures), including, without limitation, (i) revenue, (ii) net income, (iii) earnings before interest, tax, depreciation and amortization, (iv) return on equity, (v) cash flows, (vi) stock price, and (vii) measures of shareholder return, in each case, whether absolute or relative. For the avoidance of doubt, a financial reporting measure need not be presented within the financial statements or included in a filing with the SEC.

Incentive Compensation will be deemed to have been "received" in the fiscal year during which the applicable financial reporting measure (as specified in the terms of the award) is attained, even if the payment occurs after the end of that fiscal year. In addition, the date on which the Company is required to prepare an Accounting Restatement will be deemed to have occurred on the earlier of (A) the date the Board concludes or reasonably should have concluded that the Company's previously issued financial statements contain a material error, and (B) the date a court, regulator, or other legally authorized body directs the Company to restate its previously issued financial statements to correct a material error.

RECOUPMENT; DETRIMENTAL CONDUCT.

In the event that a Covered Executive engages in Detrimental Conduct (as defined below) that, in the sole discretion of the Board, is likely to cause or has caused material financial, operational, or reputational harm to the Company, the Board may recover Incentive Compensation received by the Covered Executive from and after the date on which such Detrimental Conduct occurred. "Detrimental Conduct" consists of:

i. the commission of an act of fraud, misappropriation or embezzlement in the course of employment;

ii. the commission of a criminal act, whether or not in the course of employment or in the workplace, that constitutes a felony (or substantial equivalent thereof in a non-US jurisdiction) or other serious crime involving moral turpitude, dishonesty, or fraud;

iii. the material violation of a non-compete, non-solicitation, or confidentiality agreement;

iv. the material breach of the Company's Code of Conduct (the "Code") that could give rise to dismissal under the Code; or

v. any act or omission that resulted in such Covered Executive's termination for Cause (as defined below).

For the purposes of this Policy, "Cause" shall, as of any applicable date of determination, have the meaning ascribed to such term in the agreement and/or plan governing the most recent equity (or other long-term incentive) award granted to the applicable Covered Executive.

AMOUNT AND METHOD OF RECOVERY; NO ADDITIONAL PAYMENTS.

The Board shall determine the amount of Incentive Compensation paid to be recovered in its sole discretion as follows:

i. In the event of recoupment due to an Accounting Restatement, up to the sum of (x) the amount (if any) by which the Incentive Compensation received exceeds the amount that would have been received if calculated based upon the financial reporting measures had such error(s) not been made ("Excess Incentive Compensation"), and (y) to the extent that the Board determines that the Accounting Restatement is due in any material respect to the actions, or failure to taken action, of a Covered Executive, any costs incurred by the Company in connection with such Accounting Restatement (including, without limitation, any legal, audit and accounting fees incurred in investigating and preparing such Accounting Restatement, any fees incurred in responding or defending any claims relating in whole or in part to the Accounting Restatement or the facts or circumstances relating thereto, and any amounts paid in settlement of or on account of any judgment relating to any such claims). For Incentive Compensation based in part of whole on stock price or measures of shareholder return, Excess Incentive Compensation will be calculated in such manner as the Board deems appropriate in its sole discretion under the circumstances.

ii. In the event of recoupment due to Detrimental Conduct, an amount of Incentive Compensation up to and based upon the Covered Person's relative degree of fault or involvement, the impact of the conduct on the Company, the magnitude of any loss caused and other relevant facts and circumstances.

In no event shall the Company be required to award Covered Executives an additional payment if the restated or accurate financial results would have resulted in a higher incentive compensation payment.

If Incentive Compensation in the form of an equity award is recoverable pursuant to this Policy, the Company will be entitled to: (A) if the equity award is still outstanding, cause the Covered Executive to forfeit the award; (B) if the equity award has been exercised or settled into shares (the "Underlying Shares") and the Covered Executive still holds the Underlying Shares, recover the number of Underlying Shares (less any exercise price, if any, paid in cash for the Underlying Shares); and (C) if the Underlying Shares have been sold by the Covered Executive, recover the after-tax portion of the proceeds received by the Covered Executive from the sale of the Underlying Shares (less any exercise price, if any, paid in cash for the Underlying Shares).

In addition, the Board may determine, in its sole discretion, any additional method for recouping Incentive Compensation hereunder which may include, without limitation:

(A) requiring reimbursement of cash Incentive Compensation previously paid; (B) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive; or (C) taking any other remedial and recovery action permitted by law, as determined by the Board.

NO INDEMNIFICATION.

The Company shall not indemnify any Covered Executives against (i) the loss of any incorrectly awarded Incentive Compensation or any Incentive Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy.

INTERPRETATION.

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

EFFECTIVE DATE.

This Policy shall be effective as of January 31, 2020 (the "Effective Date") and shall apply to any and all Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date and any Incentive Compensation that is outstanding as of the Effective Date.

AMENDMENT; TERMINATION.

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by Securities and Exchange Commission rule or the rules of any national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

OTHER RECOUPMENT RIGHTS; NO ADDITIONAL PAYMENTS.

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

IMPRACTICABILITY.

The Board shall have the sole discretion to consider all facts and circumstances in determining whether to recover any Incentive Compensation in accordance with this Policy. In determining whether to require reimbursement or forfeiture, and if so, the amount of such reimbursement or forfeiture, the Board may take into account such considerations as it deems appropriate, including, without limitation: (A) the likelihood of success in seeking reimbursement or forfeiture under governing law relative to the effort involved; (B) whether the assertion of a reimbursement or forfeiture claim may prejudice the interests of the Company in any related proceeding or investigation, or otherwise; (C) whether the expense of seeking reimbursement or forfeiture is likely to exceed the amount sought or likely to be recovered; (D) the passage of time since the occurrence of any acts or omissions giving rise, directly or indirectly, to the Accounting Restatement or Detrimental Conduct; (E) any pending or threatened legal proceeding relating to any acts or omissions giving rise, directly or indirectly, to the Accounting Restatement or Detrimental Conduct, and any actual or anticipated resolution (including any settlement) relating thereto; and (F) such other factors as it may deem appropriate under the circumstances.

SUCCESSORS.

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

* * *

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: May 11, 2020

/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: May 11, 2020

/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 March 31, 2020 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

May 11, 2020

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 March 31, 2020 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

May 11, 2020

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.