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 September 30, 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**

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 October 26, 2020: 138,985,005

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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

	September 30, 2020	December 31, 2019
Investments:		
Fixed maturities, available for sale, at fair value (net of allowance for credit losses of $7.6 at September 30, 2020; amortized cost: September 30, 2020 - $19,783.3; December 31, 2019 - $19,179.5)	$ 22,702.9	$ 21,295.2
Equity securities at fair value	62.1	44.1
Mortgage loans (net of allowance for credit losses of $12.2 at September 30, 2020)	1,444.9	1,566.1
Policy loans	123.6	124.5
Trading securities	240.3	243.9
Investments held by variable interest entities (net of allowance for credit losses of $22.2 at September 30, 2020; amortized cost: September 30, 2020 - $1,223.7; December 31, 2019 - $1,206.3)	1,172.6	1,188.6
Other invested assets	1,070.6	1,118.5
Total investments	26,817.0	25,580.9
Cash and cash equivalents - unrestricted	735.6	580.0
Cash and cash equivalents held by variable interest entities	51.0	74.7
Accrued investment income	214.4	205.9
Present value of future profits	255.9	275.4
Deferred acquisition costs	1,084.0	1,215.5
Reinsurance receivables (net of allowance for credit losses of $4.0 at September 30, 2020)	4,613.1	4,785.7
Income tax assets, net	322.0	432.6
Assets held in separate accounts	3.9	4.2
Other assets	472.3	476.0
Total assets	$ 34,569.2	$ 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

	September 30, 2020	December 31, 2019
Liabilities:		
Liabilities for insurance products:		
Policyholder account liabilities	$ 12,357.5	$ 12,132.3
Future policy benefits	11,753.1	11,498.5
Liability for policy and contract claims	473.2	522.3
Unearned and advanced premiums	256.8	260.5
Liabilities related to separate accounts	3.9	4.2
Other liabilities	855.8	750.2
Investment borrowings	1,642.9	1,644.3
Borrowings related to variable interest entities	1,152.0	1,152.5
Notes payable – direct corporate obligations	990.1	989.1
Total liabilities	29,485.3	28,953.9
Commitments and Contingencies		
Shareholders' equity:		
Common stock ($0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: September 30, 2020 – 138,931,352; December 31, 2019 – 148,084,178)	1.4	1.5
Additional paid-in capital	2,623.4	2,767.3
Accumulated other comprehensive income	1,801.6	1,372.5
Retained earnings	657.5	535.7
Total shareholders' equity	5,083.9	4,677.0
Total liabilities and shareholders' equity	$ 34,569.2	$ 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues:				
Insurance policy income	$ 628.3	$ 620.0	$ 1,882.3	$ 1,857.6
Net investment income:				
General account assets	276.9	274.1	788.9	827.8
Policyholder and other special-purpose portfolios	66.6	25.4	43.0	162.0
Realized investment gains (losses):				
Net realized investment gains (losses)	8.2	5.7	(24.0)	29.3
Change in allowance for credit losses and other-than-temporary impairment losses (a)	8.1	(3.4)	(31.4)	(5.6)
Total realized gains (losses)	16.3	2.3	(55.4)	23.7
Fee revenue and other income	25.4	22.2	86.1	75.7
Total revenues	1,013.5	944.0	2,744.9	2,946.8
Benefits and expenses:				
Insurance policy benefits	560.7	582.8	1,591.8	1,816.7
Interest expense	23.7	37.5	85.5	117.1
Amortization	53.5	51.6	192.2	156.0
Loss on extinguishment of debt	—	—	—	7.3
Other operating costs and expenses	209.2	218.6	674.6	682.9
Total benefits and expenses	847.1	890.5	2,544.1	2,780.0
Income before income taxes	166.4	53.5	200.8	166.8
Income tax expense (benefit):				
Tax expense on period income	37.2	11.5	44.8	35.4
Valuation allowance for deferred tax assets and other tax items	—	—	(34.0)	—
Net income	$ 129.2	$ 42.0	$ 190.0	$ 131.4
Earnings per common share:				
Basic:				
Weighted average shares outstanding	140,900,000	154,257,000	143,384,000	158,007,000
Net income	$ .92	$ .27	$ 1.33	$ .83
Diluted:				
Weighted average shares outstanding	141,730,000	155,260,000	144,090,000	159,061,000
Net income	$ .91	$ .27	$ 1.32	$ .83

(a) No portion of the other-than-temporary impairments recognized in the 2019 periods was included in accumulated other comprehensive income.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	$ 129.2	$ 42.0	$ 190.0	$ 131.4
Other comprehensive income, before tax:				
Unrealized gains on investments	428.4	619.5	759.2	1,991.0
Adjustment to present value of future profits and deferred acquisition costs	(59.9)	(58.3)	(54.6)	(175.0)
Amount related to premium deficiencies assuming the net unrealized gains had been realized	(1.0)	(124.0)	(196.0)	(200.5)
Reclassification adjustments:				
For net realized investment (gains) losses included in net income	(8.5)	2.6	41.2	(.3)
For amortization of the present value of future profits and deferred acquisition costs related to net realized investment (gains) losses included in net income	.1	.2	(3.0)	.6
Other comprehensive income before tax	359.1	440.0	546.8	1,615.8
Income tax expense related to items of accumulated other comprehensive income	(77.7)	(95.3)	(117.7)	(350.6)
Other comprehensive income, net of tax	281.4	344.7	429.1	1,265.2
Comprehensive income	$ 410.6	$ 386.7	$ 619.1	$ 1,396.6

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, June 30, 2019	156,768	$ 1.6	$ 2,903.2	$ 1,098.2	$ 249.2	$ 4,252.2
Net income	—	—	—	—	42.0	42.0
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $93.8)	—	—	—	339.2	—	339.2
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax expense of $1.5)	—	—	—	5.5	—	5.5
Common stock repurchased	(4,798)	(.1)	(75.2)	—	—	(75.3)
Dividends on common stock	—	—	—	—	(16.9)	(16.9)
Employee benefit plans, net of shares used to pay tax withholdings	213	—	6.6	—	—	6.6
Balance, September 30, 2019	152,183	$ 1.5	$ 2,834.6	$ 1,442.9	$ 274.3	$ 4,553.3
Balance, June 30, 2020	141,719	$ 1.4	$ 2,664.3	$ 1,520.2	$ 545.3	$ 4,731.2
Net income	—	—	—	—	129.2	129.2
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $77.7)	—	—	—	281.4	—	281.4
Common stock repurchased	(2,997)	—	(50.0)	—	—	(50.0)
Dividends on common stock	—	—	—	—	(17.0)	(17.0)
Employee benefit plans, net of shares used to pay tax withholdings	209	—	9.1	—	—	9.1
Balance, September 30, 2020	138,931	$ 1.4	$ 2,623.4	$ 1,801.6	$ 657.5	$ 5,083.9

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

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

	Common stock		Additional paid-in	Accumulated other comprehensive	Retained	
	Shares	Amount	capital	income	earnings	Total
Balance, December 31, 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	—	—	—	—	131.4	131.4
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $349.1)	—	—	—	1,259.6	—	1,259.6
Change in noncredit component of impairment losses on fixed maturities, available for sale (net of applicable income tax expense of $1.5)	—	—	—	5.6	—	5.6
Common stock repurchased	(11,033)	(.1)	(177.2)	—	—	(177.3)
Dividends on common stock	—	—	—	—	(50.6)	(50.6)
Employee benefit plans, net of shares used to pay tax withholdings	1,014	—	16.8	—	—	16.8
Balance, September 30, 2019	152,183	$ 1.5	$ 2,834.6	$ 1,442.9	$ 274.3	$ 4,553.3
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 income	—	—	—	—	190.0	190.0
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax expense of $117.7)	—	—	—	429.1	—	429.1
Common stock repurchased	(10,048)	(.1)	(162.9)	—	—	(163.0)
Dividends on common stock	—	—	—	—	(50.4)	(50.4)
Employee benefit plans, net of shares used to pay tax withholdings	895	—	19.0	—	—	19.0
Balance, September 30, 2020	138,931	$ 1.4	$ 2,623.4	$ 1,801.6	$ 657.5	$ 5,083.9

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)

	Nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Insurance policy income	$ 1,747.8	$ 1,726.2
Net investment income	805.9	839.7
Fee revenue and other income	86.1	75.7
Insurance policy benefits	(1,195.0)	(1,224.0)
Interest expense	(76.1)	(103.9)
Deferrable policy acquisition costs	(201.5)	(217.5)
Other operating costs	(612.4)	(588.7)
Income taxes	(13.0)	3.4
Net cash from operating activities	541.8	510.9
Cash flows from investing activities:		
Sales of investments	1,163.2	2,659.3
Maturities and redemptions of investments	1,502.7	1,625.6
Purchases of investments	(3,086.7)	(4,387.7)
Net sales (purchases) of trading securities	16.2	(6.6)
Other	(25.2)	(92.1)
Net cash used by investing activities	(429.8)	(201.5)
Cash flows from financing activities:		
Issuance of notes payable, net	—	494.2
Payments on notes payable	—	(425.0)
Expenses related to extinguishment of debt	—	(6.1)
Issuance of common stock	5.0	6.0
Payments to repurchase common stock	(168.2)	(181.2)
Common stock dividends paid	(50.4)	(50.6)
Amounts received for deposit products	1,160.1	1,307.4
Withdrawals from deposit products	(923.6)	(1,017.2)
Issuance of investment borrowings:		
Federal Home Loan Bank	190.3	536.8
Payments on investment borrowings:		
Federal Home Loan Bank	(191.7)	(537.7)
Related to variable interest entities	(1.6)	(270.6)
Net cash provided (used) by financing activities	19.9	(144.0)
Net increase in cash and cash equivalents	131.9	165.4
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	$ 786.6	$ 822.0

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, 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 could 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 accrued investment income separately from fixed maturities, available for sale, and has elected not to measure an allowance for credit losses for accrued investment income. Accrued investment income 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 September 30, 2020 and December 31, 2019, were as follows (dollars in millions):

	September 30, 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	2,926.3	—
Unrealized losses on investments with an allowance for credit losses	(29.5)	—
Adjustment to present value of future profits (a)	(11.2)	(18.9)
Adjustment to deferred acquisition costs	(395.9)	(227.9)
Adjustment to insurance liabilities	(189.8)	(96.5)
Deferred income tax liabilities	(498.3)	(380.6)
Accumulated other comprehensive income	$ 1,801.6	$ 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 September 30, 2020, adjustments to the present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included $(8.9) million, $(132.8) million, $(189.8) million and $72.0 million, respectively, for premium deficiencies that would exist on certain blocks of business if unrealized gains on the assets backing such products had been realized and the proceeds from the sales of such assets were invested at then current yields.

At December 31, 2019, adjustments to the present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included $(12.2) million, $(26.8) million, $(96.5) million and $29.4 million, respectively, for premium deficiencies that would exist on certain blocks of business if unrealized gains on the assets backing such products had been realized and the proceeds from the sales of such assets were invested at then current yields.

At September 30, 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	$ 11,769.3	$ 2,239.8	$ (31.3)	$ (7.2)	$ 13,970.6
United States Treasury securities and obligations of United States government corporations and agencies	162.3	79.5	—	—	241.8
States and political subdivisions	2,282.7	352.7	(6.3)	(.4)	2,628.7
Foreign governments	85.6	18.7	—	—	104.3
Asset-backed securities	1,093.0	39.1	(14.7)	—	1,117.4
Agency residential mortgage-backed securities	60.9	6.7	—	—	67.6
Non-agency residential mortgage-backed securities	1,988.9	177.7	(5.6)	—	2,161.0
Commercial mortgage-backed securities	1,870.7	96.8	(16.1)	—	1,951.4
Collateralized loan obligations	469.9	.1	(9.9)	—	460.1
Total fixed maturities, available for sale	$ 19,783.3	$ 3,011.1	$ (83.9)	$ (7.6)	$ 22,702.9

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 September 30, 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	$ 289.2	$ 293.1
Due after one year through five years	1,104.1	1,164.6
Due after five years through ten years	1,516.1	1,659.4
Due after ten years	11,390.5	13,828.3
Subtotal	14,299.9	16,945.4
Structured securities	5,483.4	5,757.5
Total fixed maturities, available for sale	$ 19,783.3	$ 22,702.9

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.

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 September 30, 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	$ 364.4	$ (16.3)	$ 5.0	$ (.8)	$ 369.4	$ (17.1)
United States Treasury securities and obligations of United States government corporations and agencies	8.1	—	—	—	8.1	—
States and political subdivisions	30.5	(.3)	—	—	30.5	(.3)
Asset-backed securities	154.1	(11.8)	31.2	(2.6)	185.3	(14.4)
Non-agency residential mortgage-backed securities	275.6	(5.1)	28.2	(.5)	303.8	(5.6)
Collateralized loan obligations	254.2	(5.5)	200.8	(4.4)	455.0	(9.9)
Commercial mortgage-backed securities	486.1	(15.9)	29.5	(.2)	515.6	(16.1)
Total fixed maturities, available for sale	$ 1,573.0	$ (54.9)	$ 294.7	$ (8.5)	$ 1,867.7	$ (63.4)

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 September 30, 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 September 30, 2020 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Non-agency residential mortgage-backed securities	Asset-backed securities	Total
Allowance at June 30, 2020	$ 10.0	$ .5	$ —	$ —	$ .3	$ 10.8
Additions for securities for which credit losses were not previously recorded	1.7	.1	—	—	—	1.8
Additions for purchased securities with deteriorated credit	—	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	(4.1)	(.2)	—	—	(.3)	(4.6)
Reduction for securities sold during the period	(.4)	—	—	—	—	(.4)
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 September 30, 2020	$ 7.2	$ .4	$ —	$ —	$ —	$ 7.6

The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the nine months ended September 30, 2020 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Non-agency residential mortgage-backed securities	Asset-backed securities	Total
Allowance at January 1, 2020	$ 2.1	$ —	$ —	$ —	$ —	$ 2.1
Additions for securities for which credit losses were not previously recorded	23.4	.7	.1	1.0	.3	25.5
Additions for purchased securities with deteriorated credit	—	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	(17.1)	(.3)	(.1)	(1.0)	(.3)	(18.8)
Reduction for securities sold during the period	(1.2)	—	—	—	—	(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 September 30, 2020	$ 7.2	$ .4	$ —	$ —	$ —	$ 7.6

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 September 30, 2020, the mortgage loan balance was primarily comprised of commercial mortgage loans. At September 30, 2020, there was one commercial mortgage loan in process of foreclosure with a carrying value of $5.9 million and there were 25 residential mortgage loans that were noncurrent with a carrying value of $10.9 million (of which, 22 such loans with a carrying value of $10.4 million were in forbearance). Our commercial mortgage loan portfolio is comprised of large commercial mortgage loans. Our loans have risk characteristics that are individually unique. At September 30, 2020, we held residential mortgage loan investments with an amortized cost and fair value of $92.2 million and $92.3 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 September 30, 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%	$ 25.6	$ 114.9	$ 131.7	$ 102.4	$ 56.6	$ 630.7	$ 1,061.9	$ 1,105.1	$ 2,971.2
60% to less than 70%	19.0	7.3	23.9	3.8	46.2	110.0	210.2	209.7	331.5
70% to less than 80%	—	12.3	—	—	—	44.5	56.8	56.7	76.9
80% to less than 90%	—	—	—	—	10.0	26.0	36.0	32.7	42.9
Total	$ 44.6	$ 134.5	$ 155.6	$ 106.2	$ 112.8	$ 811.2	$ 1,364.9	$ 1,404.2	$ 3,422.5

(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 September 30, 2020 (dollars in millions):

	Mortgage loans
Allowance for credit losses at June 30, 2020	$ 11.6
Current period provision for expected credit losses	.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 September 30, 2020	$ 12.2

The following table summarizes changes in the allowance for credit losses related to mortgage loans for the nine months ended September 30, 2020 (dollars in millions):

	Mortgage loans
Allowance for credit losses at January 1, 2020	$ 6.7
Current period provision for expected credit losses	5.5
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 September 30, 2020	$ 12.2

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Fixed maturity securities, available for sale:				
Gross realized gains on sale	$ 2.8	$ 3.2	$ 41.6	$ 70.0
Gross realized losses on sale	(.9)	(1.1)	(51.3)	(53.4)
Change in allowance for credit losses and other-than-temporary impairment losses	3.1	(3.4)	(13.6)	(5.6)
Net realized investment gains (losses) from fixed maturities	5.0	(1.3)	(23.3)	11.0
Equity securities, including change in fair value (a)	1.4	.6	(8.8)	11.4
Change in allowance for credit losses of other investments (b)	5.0	—	(17.8)	—
Loss on dissolution of variable interest entity	—	—	—	(5.1)
Other (c)	4.9	3.0	(5.5)	6.4
Net realized investment gains (losses)	$ 16.3	$ 2.3	$ (55.4)	$ 23.7

(a) The change in the estimated fair value of equity securities still held at September 30, 2020 was $(6.1) million.
(b) The three and nine months ended September 30, 2020, includes $5.6 million and $(12.3) million, respectively, 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 September 30, 2020 that we have elected the fair value option and classify as trading securities was $(1.2) million.

During the first nine months of 2020, we recognized net realized investment losses of $55.4 million, which were comprised of: (i) $15.5 million of net losses from the sales of investments; (ii) $8.8 million of losses related to equity securities, including the change in fair value; (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of $1.5 million; (iv) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $1.8 million; and (v) an increase in the allowance for credit losses and other-than-temporary impairment losses of $31.4 million.

During the first nine months of 2019, we recognized net realized investment gains of $23.7 million, which were comprised of: (i) $6.2 million of net gains from the sales of investments; (ii) $5.1 million of losses on the dissolution of a VIE;(iii) $11.4 million of gains related to equity securities, including the change in fair value; (iv) the increase in fair value of certain fixed maturity investments with embedded derivatives of $10.3 million; (v) the increase in fair value of embedded derivatives related to a modified coinsurance agreement of $6.5 million; and (vi) $5.6 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 September 30, 2020, there were no fixed maturity investments in default.

During the first nine months of 2020, the $51.3 million of gross realized losses on sales of $412.9 million of fixed maturity securities, available for sale included: (i) $15.8 million related to various corporate securities; (ii) $25.0 million related to commercial mortgage-backed securities; and (iii) $10.5 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 nine months of 2019, the $53.4 million of gross realized losses on sales of $936.6 million of fixed maturity securities, available for sale, included: (i) $46.1 million related to various corporate securities; and (ii) $7.3 million related to various other investments.

During the first nine months of 2019, we recognized $5.6 million of impairment losses recorded in earnings on corporate securities due to issuer specific events.

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 and nine months ended September 30, 2019 (dollars in millions):

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Credit losses on fixed maturity securities, available for sale, beginning of period	$ (.2)	$ (.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)	$ (.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 and shares used to calculate basic and diluted earnings per share is as follows (dollars in millions and shares in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income for basic and diluted earnings per share	$ 129.2	$ 42.0	$ 190.0	$ 131.4
Shares:				
Weighted average shares outstanding for basic earnings per share	140,900	154,257	143,384	158,007
Effect of dilutive securities on weighted average shares:				
Amounts related to employee benefit plans	830	1,003	706	1,054
Weighted average shares outstanding for diluted earnings per share	141,730	155,260	144,090	159,061

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 three insurance product lines (annuity, health and life) 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 and life) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. Under our new operating model, the business written in each of the three 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, net of insurance intangibles, for the block in each period.

Income from insurance products is the sum of the insurance margins of the annuity, health and life product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, investment income not allocated to product lines, 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"). Sales in the Worksite Division have been particularly adversely impacted by the COVID-19 pandemic given the challenges of interacting with customers at their place of employment.

The Consumer and Worksite Divisions are primarily focused on marketing insurance products, several types of which are sold in both divisions and underwritten in the same manner. Sales of group underwritten policies are currently not significant, but are expected to increase within the Worksite Division.

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 (loss) from company-owned life insurance ("COLI") and variations in income (loss) 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues:				
Annuity:				
Insurance policy income	$ 4.3	$ 5.1	$ 14.4	$ 15.9
Net investment income	115.6	116.5	349.6	347.1
Total annuity revenues	119.9	121.6	364.0	363.0
Health:				
Insurance policy income	421.4	425.3	1,276.9	1,275.9
Net investment income	70.9	70.1	211.4	209.4
Total health revenues	492.3	495.4	1,488.3	1,485.3
Life:				
Insurance policy income	202.6	189.6	591.0	565.8
Net investment income	35.2	34.6	104.2	103.9
Total life revenues	237.8	224.2	695.2	669.7
Investment income (loss) not allocated to product lines:				
Related to fixed index products	46.0	3.7	(39.8)	70.3
Other investment income	66.0	61.0	175.5	210.2
Fee revenue and other income:				
Fee income	19.9	16.5	69.4	58.1
Amounts netted in expenses not allocated to product lines	1.7	1.6	5.2	6.0
Total segment revenues	$ 983.6	$ 924.0	$ 2,757.8	$ 2,862.6

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	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Expenses:				
Annuity:				
Insurance policy benefits	$ 20.1	$ 7.3	$ (82.1)	$ 20.3
Interest credited	42.4	42.0	128.0	126.8
Amortization and non-deferred commissions	12.1	16.1	89.5	46.3
Total annuity expenses	74.6	65.4	135.4	193.4
Health:				
Insurance policy benefits	295.5	360.4	1,008.3	1,069.2
Amortization and non-deferred commissions	44.6	45.7	145.4	146.2
Total health expenses	340.1	406.1	1,153.7	1,215.4
Life:				
Insurance policy benefits	143.3	121.4	423.0	378.4
Interest credited	11.4	10.7	32.6	31.5
Amortization, non-deferred commissions and advertising expense	35.8	37.5	111.9	110.4
Total life expenses	190.5	169.6	567.5	520.3
Allocated expenses	130.3	131.3	395.0	402.4
Expenses not allocated to product lines	15.4	19.8	71.2	62.2
Amounts netted in investment income not allocated to product lines:				
Market value changes credited to policyholders	46.0	3.8	(39.8)	70.3
Interest expense	17.0	25.3	59.1	74.7
Other expenses	5.3	1.3	7.1	9.6
Expenses netted in fee revenue:				
Distribution and commission expenses	19.1	13.5	55.6	46.3
Total segment expenses	838.3	836.1	2,404.8	2,594.6
Pre-tax measure of profitability:				
Annuity margin	45.3	56.2	228.6	169.6
Health margin	152.2	89.3	334.6	269.9
Life margin	47.3	54.6	127.7	149.4
Total insurance product margin	244.8	200.1	690.9	588.9
Allocated expenses	(130.3)	(131.3)	(395.0)	(402.4)
Income from insurance products	114.5	68.8	295.9	186.5
Fee income	.8	3.0	13.8	11.8
Investment income not allocated to product lines	43.7	34.3	109.3	125.9
Expenses not allocated to product lines	(13.7)	(18.2)	(66.0)	(56.2)
Operating earnings before taxes	145.3	87.9	353.0	268.0
Income tax expense on operating income	32.7	18.7	76.7	56.6
Net operating income	$ 112.6	$ 69.2	$ 276.3	$ 211.4

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Total segment revenues	$ 983.6	$ 924.0	$ 2,757.8	$ 2,862.6
Net realized investment gains (losses)	16.3	2.3	(55.4)	23.7
Revenues related to VIEs	8.8	12.7	28.2	45.5
Fee revenue related to transition services agreement	4.8	5.0	14.3	15.0
Consolidated revenues	1,013.5	944.0	2,744.9	2,946.8
Total segment expenses	838.3	836.1	2,404.8	2,594.6
Insurance policy benefits - fair value changes in embedded derivative liabilities	2.0	37.2	121.8	120.2
Amortization related to fair value changes in embedded derivative liabilities	(.4)	(7.9)	(26.4)	(25.4)
Amortization related to net realized investment gains (losses)	.1	.2	(3.0)	.6
Expenses related to VIEs	7.0	12.4	27.4	43.8
Fair value changes related to agent deferred compensation plan	—	6.0	13.2	22.9
Loss on extinguishment of debt	—	—	—	7.3
Expenses related to transition services agreement	.1	6.5	6.3	16.0
Consolidated expenses	847.1	890.5	2,544.1	2,780.0
Income before tax	166.4	53.5	200.8	166.8
Income tax expense (benefit):				
Tax expense on period income	37.2	11.5	44.8	35.4
Valuation allowance for deferred tax assets and other tax items	—	—	(34.0)	—
Net income	$ 129.2	$ 42.0	$ 190.0	$ 131.4

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	
	September 30, 2020	December 31, 2019
Assets:		
Other invested assets:		
Fixed index call options	$ 143.8	$ 203.8
Reinsurance receivables	.7	(1.2)
Total assets	$ 144.5	$ 202.6
Liabilities:		
Future policy benefits:		
Fixed index products	$ 1,598.9	$ 1,565.4
Total liabilities	$ 1,598.9	$ 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 $113 million in underlying investments held by the ceding reinsurer at September 30, 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 $2.7 billion and $3.2 billion at September 30, 2020 and December 31, 2019, respectively.

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net investment income (loss) from policyholder and other special-purpose portfolios:				
Fixed index call options	$ 45.0	$ 3.6	$ (37.7)	$ 68.8
Net realized gains (losses):				
Embedded derivative related to modified coinsurance agreement	1.7	1.6	1.8	6.5
Insurance policy benefits:				
Embedded derivative related to fixed index annuities	5.1	(32.1)	16.3	(109.7)
Total	$ 51.8	$ (26.9)	$ (19.6)	$ (34.4)

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 September 30, 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.

The following table summarizes information related to derivatives with master netting arrangements or collateral as of September 30, 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
September 30, 2020:						
Fixed index call options	$ 143.8	$ —	$ 143.8	$ —	$ —	$ 143.8
December 31, 2019:						
Fixed index call options	203.8	—	203.8	—	—	203.8

REINSURANCE

The cost of reinsurance ceded totaled $77.2 million and $64.0 million in the third quarters of 2020 and 2019, respectively, and $203.0 million and $197.3 million in the first nine months of 2020 and 2019, respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled $97.6 million and $107.6 million in the third quarters of 2020 and 2019, respectively, and $239.8 million and $328.6 million in the first nine months 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 $5.7 million and $6.2 million in the third quarters of 2020 and 2019, respectively, and $17.5 million and $19.1 million in the first nine months of 2020 and 2019, respectively. Insurance policy benefits related to reinsurance assumed totaled $9.0 million

and $9.5 million in the third quarters of 2020 and 2019, respectively, and $24.6 million and $27.3 million in the first nine months 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 are as follows (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current tax expense (benefit)	$ 7.4	$ 4.0	$ (44.5)	$ 13.3
Deferred tax expense	29.8	7.5	89.3	22.1
Income tax expense calculated based on estimated annual effective tax rate	37.2	11.5	44.8	35.4
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	$ 37.2	$ 11.5	$ 10.8	$ 35.4

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

	Nine months ended September 30,	
	2020	2019
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	(.5)	(1.5)
State taxes	1.8	1.7
Estimated annual effective tax rate calculated before discrete items	22.3	21.2
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)	(16.9)	—
Effective tax rate	5.4 %	21.2 %

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):

	September 30, 2020	December 31, 2019
Deferred tax assets:		
Net federal operating loss carryforwards	$ 372.7	$ 532.3
Net state operating loss carryforwards	4.5	10.3
Insurance liabilities	373.5	351.3
Indirect costs allocable to self-constructed real estate assets	92.1	50.3
Other	41.6	40.4
Gross deferred tax assets	884.4	984.6
Deferred tax liabilities:		
Investments	(21.1)	(24.4)
Present value of future profits and deferred acquisition costs	(138.5)	(150.1)
Accumulated other comprehensive income	(498.1)	(381.2)
Gross deferred tax liabilities	(657.7)	(555.7)
Net deferred tax assets	226.7	428.9
Current income taxes prepaid	95.3	3.7
Income tax assets, net	$ 322.0	$ 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.

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, tax planning strategies and the COVID-19 pandemic. Our estimates of future taxable income are based on evidence we consider to be objectively verifiable. At September 30, 2020, our projection of future taxable income for purposes of determining the valuation allowance is based on our estimates of such future taxable income through the date our NOLs expire. Such estimates are subject to the risks and uncertainties associated with the COVID-19 pandemic and the extent to which actual impacts differ from the assumptions used in our deferred tax valuation model. Based on our assessment, we have concluded that it is more likely than not that all our deferred tax assets of $226.7 million will be realized through future taxable earnings.

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

The Internal Revenue Code (the "Code") limits the extent to which losses realized by a non-life entity (or entities) may offset income from a life insurance company (or companies) to the lesser of: (i) 35 percent of the income of the life insurance company; or (ii) 35 percent of the total loss of the non-life entities (including NOLs of the non-life entities). 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 (.89 percent at September 30, 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 September 30, 2020, we were below the 50 percent ownership change level that could limit our ability to utilize our NOLs.

We have $1.8 billion of federal NOLs as of September 30, 2020, as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2023	$ 1,188.2
2025	85.2
2026	149.9
2027	10.8
2028	80.3
2029	213.2
2030	.3
2031	.2
2032	44.4
2033	.6
2034	.9
2035	.8
Total federal non-life NOLs	$ 1,774.8

Our life NOLs have been fully utilized in 2020. Our non-life NOLs can be used to offset 35 percent of remaining life insurance company taxable income until all non-life NOLs are utilized or expire.

We also had deferred tax assets related to NOLs for state income taxes of $4.5 million and $10.3 million at September 30, 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 September 30, 2020 and December 31, 2019 (dollars in millions):

	September 30, 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	(9.9)	(10.9)
Direct corporate obligations	$ 990.1	$ 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 nine months ended September 30, 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 23.7 percent at September 30, 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 428 percent at September 30, 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 $3,282.3 million at September 30, 2020 compared to the minimum requirement of $2,693.4 million).

Scheduled Repayment of our Direct Corporate Obligations

The scheduled repayment of our direct corporate obligations was as follows at September 30, 2020 (dollars in millions):

Year ending September 30,	
2021	$ —
2022	—
2023	—
2024	—
2025	500.0
Thereafter	500.0
	$ 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 September 30, 2020, the carrying value of the FHLB common stock was $71.0 million. As of September 30, 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 September 30, 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 September 30, 2020
$ 100.0	July 2021	Variable rate – .818%
100.0	July 2021	Variable rate – .795%
27.5	August 2021	Fixed rate – 2.550%
57.7	August 2021	Variable rate - .779%
50.0	September 2021	Variable rate – .774%
22.0	May 2022	Variable rate – .596%
100.0	May 2022	Variable rate – .577%
10.0	June 2022	Variable rate – .856%
50.0	July 2022	Variable rate – .636%
50.0	July 2022	Variable rate – .644%
50.0	July 2022	Variable rate – .627%
50.0	August 2022	Variable rate – .632%
50.0	December 2022	Variable rate – .546%
50.0	December 2022	Variable rate – .546%
22.6	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – .542%
100.0	July 2023	Variable rate – .541%
50.0	February 2024	Variable rate – .578%
50.0	May 2024	Variable rate – .627%
21.8	May 2024	Variable rate – .636%
100.0	May 2024	Variable rate – .630%
50.0	May 2024	Variable rate – .675%
75.0	June 2024	Variable rate – .543%
100.0	July 2024	Variable rate – .614%
15.5	July 2024	Fixed rate – 1.990%
34.5	July 2024	Variable rate – .764%
15.0	July 2024	Variable rate – .720%
25.0	September 2024	Variable rate – .793%
21.7	May 2025	Variable rate – .480%
19.6	June 2025	Fixed rate – 2.940%
125.0	September 2025	Variable rate – .420%
$ 1,642.9		

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 September 30, 2020, the aggregate yield maintenance fee to prepay all fixed rate borrowings was $5.2 million.

Interest expense of $18.3 million and $36.1 million in the first nine months of 2020 and 2019, respectively, was recognized related to total borrowings from the FHLB.

CHANGES IN COMMON STOCK

In the first nine months of 2020, we repurchased 10.0 million shares of common stock for $163.0 million under our securities repurchase program. The Company had remaining repurchase authority of $369.3 million as of September 30, 2020.

In the first nine months of 2020, dividends declared on common stock totaled $50.4 million ($0.35 per common share). In May 2020, the Company increased its quarterly common stock dividend to $0.12 per share from $0.11 per share.

SALES INDUCEMENTS

Certain of our annuity products offer sales inducements to contract holders in the form of enhanced crediting rates or bonus payments in the initial period of the contract. Certain of our life insurance products offer persistency bonuses credited to the contract holder's balance after the policy has been outstanding for a specified period of time. These enhanced rates and persistency bonuses are considered sales inducements in accordance with GAAP. Such amounts are deferred and amortized in the same manner as deferred acquisition costs. Sales inducements deferred totaled $10.2 million and $21.2 million during the nine months ended September 30, 2020 and 2019, respectively. Amounts amortized totaled $10.9 million and $3.8 million during the nine months ended September 30, 2020 and 2019, respectively. The unamortized balance of deferred sales inducements was $60.0 million and $60.7 million at September 30, 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). In September 2020, the FASB voted to delay the effective date of this guidance for the Company by one year (until January 1, 2023). Final authoritative guidance addressing the revised effective date is expected to be issued later in 2020. 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 $72.0 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	1,566.1	(6.7)	1,559.4
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 and CNO Financial Group, Inc., Bankers Conseco Life Insurance Company ("BCLIC"), Washington National and 40|86 Advisors, Inc. (collectively, the "CNO Parties"). The PPCO Receiver alleged 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 alleged that CNO Financial Group, Inc., BCLIC, Washington National and 40|86 Advisors, Inc. had 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 agreed with the PPCO Receiver to fully settle the *Cyganowski* case. Under the settlement, neither BCLIC nor Washington National will incur any liability or make any payment to anyone, but instead they were granted an unsecured claim against PPCO's estate. The settlement agreement states that the PPCO Receiver's decision to enter into the agreement was based in part on the CNO Parties' credible arguments based on an expansive documentary record that the CNO Parties were not knowing participants in any fraud perpetrated by any of the Platinum funds or any of the Beechwood entities, but were instead purely victims of such fraud schemes. The settlement agreement was approved by the Court on July 17, 2020, and the Joint Stipulation and Order of Dismissal with Prejudice was accepted by the Court on August 6, 2020. The *Cyganowski* case is thus completely concluded.

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, 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. The Plaintiff has filed an Amended Complaint and the CNO Parties have responded.

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 is comparing expanded matching criteria to the SSADMF to identify deceased insureds and contract holders where a valid claim has not been made.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 190.0	$ 131.4
Adjustments to reconcile net income to net cash from operating activities:		
Amortization and depreciation	218.8	183.7
Income taxes	(2.3)	38.8
Insurance liabilities	263.9	462.5
Accrual and amortization of investment income	(26.0)	(150.1)
Deferral of policy acquisition costs	(201.5)	(217.5)
Net realized investment (gains) losses	55.4	(23.7)
Loss on extinguishment of debt	—	7.3
Other	43.5	78.5
Net cash from operating activities	$ 541.8	$ 510.9

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

	Nine months ended September 30,	
	2020	2019
Amounts related to employee benefit plans	$ 17.5	$ 14.7

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):

	September 30, 2020		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,172.6	$ —	$ 1,172.6
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	51.0	—	51.0
Accrued investment income	1.8	—	1.8
Income tax assets, net	16.1	—	16.1
Other assets	5.7	(.9)	4.8
Total assets	$ 1,247.2	$ (114.7)	$ 1,132.5
Liabilities:			
Other liabilities	$ 45.7	$ (4.8)	$ 40.9
Borrowings related to variable interest entities	1,152.0	—	1,152.0
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	$ 1,323.8	$ (130.9)	$ 1,192.9

	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 September 30, 2020, such loans had an amortized cost of $1,223.7 million; gross unrealized gains of $1.8 million; gross unrealized losses of $30.7 million; allowance for credit losses of $22.2 million; and an estimated fair value of $1,172.6 million.

The following table summarizes changes in the allowance for credit losses related to investments held by VIEs for the three months ended September 30, 2020 (dollars in millions):

	Corporate securities
Allowance at June 30, 2020	$ 27.7
Additions for securities for which credit losses were not previously recorded	1.5
Additions for purchased securities with deteriorated credit	—
Additions (reductions) for securities where an allowance was previously recorded	(5.3)
Reduction for securities sold during the period	(1.7)
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 September 30, 2020	$ 22.2

The following table summarizes changes in the allowance for credit losses related to investments held by VIEs for the nine months ended September 30, 2020 (dollars in millions):

	Corporate securities
Allowance at January 1, 2020	$ 9.9
Additions for securities for which credit losses were not previously recorded	26.4
Additions for purchased securities with deteriorated credit	—
Additions (reductions) for securities where an allowance was previously recorded	(10.1)
Reduction for securities sold during the period	(4.0)
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 September 30, 2020	$ 22.2

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at September 30, 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	$ 4.7	$ 3.8
Due after one year through five years	784.1	744.7
Due after five years through ten years	434.9	424.1
Total	$ 1,223.7	$ 1,172.6

During the first nine months of 2020, the VIEs recognized net realized investment losses of $17.9 million which were comprised of: (i) $5.6 million of net losses from the sales of fixed maturities; and (ii) a $12.3 million increase in the allowance for credit losses. Such net realized losses included gross realized losses of $5.7 million from the sale of $47.3 million of investments. During the first nine months of 2019, the VIEs recognized net realized investment losses of $15.8 million which were comprised of: (i) $10.7 million of net losses from the sales of fixed maturities; and (ii) $5.1 million of losses on the dissolution of a VIE. Such net realized losses included gross realized losses of $10.9 million from the sale of $276.8 million of investments.

At September 30, 2020, there were six investments held by the VIEs in default with an amortized cost of $11.4 million, a carrying value of $6.2 million and an allowance for credit losses of $5.0 million.

At September 30, 2020, the VIEs held: (i) investments with a fair value of $643.0 million and gross unrealized losses not deemed to have credit losses of $14.3 million that had been in an unrealized loss position for less than twelve months; and (ii) investments with a fair value of $196.4 million and gross unrealized losses not deemed to have credit losses of $7.4 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 impairment in a manner that is consistent with the Company's fixed maturities, available for sale. Similarly, prior to January 1, 2020, the investments held by the VIEs were evaluated for other-than-temporary declines in fair value in a manner that was 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 September 30, 2020, we held investments in various limited partnerships, in which we are not the primary beneficiary, totaling $557.1 million (classified as other invested assets). At September 30, 2020, we had unfunded commitments to these partnerships totaling $78.8 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; and 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 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 88 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.

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at September 30, 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	$ —	$ 13,850.0	$ 120.6	$ 13,970.6
United States Treasury securities and obligations of United States government corporations and agencies	—	241.8	—	241.8
States and political subdivisions	—	2,628.7	—	2,628.7
Foreign governments	—	104.3	—	104.3
Asset-backed securities	—	1,104.8	12.6	1,117.4
Agency residential mortgage-backed securities	—	67.6	—	67.6
Non-agency residential mortgage-backed securities	—	2,158.8	2.2	2,161.0
Commercial mortgage-backed securities	—	1,951.4	—	1,951.4
Collateralized loan obligations	—	457.2	2.9	460.1
Total fixed maturities, available for sale	—	22,564.6	138.3	22,702.9
Equity securities - corporate securities	16.0	37.8	8.3	62.1
Trading securities:				
Asset-backed securities	—	10.4	—	10.4
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	99.6	—	99.6
Commercial mortgage-backed securities	—	113.0	16.9	129.9
Total trading securities	—	223.4	16.9	240.3
Investments held by variable interest entities - corporate securities	—	1,172.6	—	1,172.6
Other invested assets - derivatives	—	143.8	—	143.8
Assets held in separate accounts	—	3.9	—	3.9
Total assets carried at fair value by category	$ 16.0	$ 24,146.1	$ 163.5	$ 24,325.6
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	$ —	$ —	$ 1,598.9	$ 1,598.9

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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	—	1,375.3	12.6	1,387.9
Agency residential mortgage-backed securities	—	95.0	—	95.0
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 of our financial instruments disclosed at fair value on a recurring basis are as follows (dollars in millions):

	September 30, 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	$ —	$ —	$ 1,496.5	$ 1,496.5	$ 1,444.9
Policy loans	—	—	123.6	123.6	123.6
Other invested assets:					
Company-owned life insurance	—	206.7	—	206.7	206.7
Cash and cash equivalents:					
Unrestricted	735.5	.1	—	735.6	735.6
Held by variable interest entities	51.0	—	—	51.0	51.0
Liabilities:					
Policyholder account liabilities	—	—	12,357.5	12,357.5	12,357.5
Investment borrowings	—	1,648.0	—	1,648.0	1,642.9
Borrowings related to variable interest entities	—	1,124.6	—	1,124.6	1,152.0
Notes payable – direct corporate obligations	—	1,148.8	—	1,148.8	990.1

	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

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 September 30, 2020 (dollars in millions):

	September 30, 2020								
	Beginning balance as of June 30, 2020	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 September 30, 2020	Amount of total gains (losses) for the three months ended September 30, 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 September 30, 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	$ 114.2	$ 1.2	$ (1.0)	$ 1.8	$ 53.0	$ (48.6)	$ 120.6	$ (1.0)	$ 1.1
Asset-backed securities	12.6	(.1)	—	.1	—	—	12.6	—	.1
Non-agency residential mortgage-backed securities	—	2.2	—	—	—	—	2.2	—	—
Collateralized loan obligations	—	—	—	.1	2.8	—	2.9	—	.1
Total fixed maturities, available for sale	126.8	3.3	(1.0)	2.0	55.8	(48.6)	138.3	(1.0)	1.3
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—	—
Trading securities - commercial mortgage-backed securities	12.0	—	.4	.2	4.3	—	16.9	.4	—
Investments held by variable interest entities - corporate securities	.4	(.5)	—	.1	—	—	—	—	—
Liabilities:									
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,526.9)	(77.1)	5.1	—	—	—	(1,598.9)	5.1	5.1

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(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 September 30, 2020 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ 1.3	$ (.1)	$ —	$ —	$ 1.2
Asset-backed securities	—	(.1)	—	—	(.1)
Non-agency residential mortgage-backed securities	2.2	—	—	—	2.2
Total fixed maturities, available for sale	3.5	(.2)	—	—	3.3
Investments held by variable interest entities - corporate securities	—	(.5)	—	—	(.5)
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(43.8)	—	(52.2)	18.9	(77.1)

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

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 nine months ended September 30, 2020 (dollars in millions):

	September 30, 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 September 30, 2020	Amount of total gains (losses) for the nine months ended September 30, 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 nine months ended September 30, 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	$ 8.6	$ (1.1)	$ 4.6	$ 79.3	$ (149.6)	$ 120.6	$ (1.2)	$ 2.3
Foreign governments	1.1	—	—	—	—	(1.1)	—	—	—
Asset-backed securities	12.6	(.4)	—	.4	—	—	12.6	—	.4
Non-agency residential mortgage-backed securities	—	2.2	—	—	—	—	2.2	—	—
Collateralized loan obligations	—	—	—	—	2.9	—	2.9	—	—
Total fixed maturities, available for sale	192.5	10.4	(1.1)	5.0	82.2	(150.7)	138.3	(1.2)	2.7
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—	—
Trading securities - commercial mortgage-backed securities	12.5	4.3	(.4)	.5	—	—	16.9	(.4)	—
Liabilities:									
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,565.4)	(49.8)	16.3	—	—	—	(1,598.9)	16.3	16.3

(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 nine months ended September 30, 2020 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ 11.0	$ (2.4)	$ —	$ —	$ 8.6
Asset-backed securities	—	(.4)	—	—	(.4)
Non-agency residential mortgage-backed securities	2.2	—	—	—	2.2
Total fixed maturities, available for sale	13.2	(2.8)	—	—	10.4
Trading securities - commercial mortgage-backed securities	4.3	—	—	—	4.3
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(133.4)	119.3	(101.2)	65.5	(49.8)

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

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 September 30, 2019 (dollars in millions):

	September 30, 2019							
	Beginning balance as of June 30, 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 September 30, 2019	Amount of total gains (losses) for the three months ended September 30, 2019 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 135.9	$ (1.7)	$ (1.8)	$ 2.3	$ 36.8	$ —	$ 171.5	$ (1.8)
Foreign governments	1.0	—	—	—	—	—	1.0	—
Asset-backed securities	12.4	(.2)	—	.4	—	—	12.6	—
Commercial mortgage-backed securities	15.9	—	—	—	—	(15.9)	—	—
Total fixed maturities, available for sale	165.2	(1.9)	(1.8)	2.7	36.8	(15.9)	185.1	(1.8)
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—
Liabilities:								
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,454.2)	(22.2)	(32.1)	—	—	—	(1,508.5)	(32.1)

(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 September 30, 2019 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ —	$ (1.7)	$ —	$ —	$ (1.7)
Asset-backed securities	—	(.2)	—	—	(.2)
Total fixed maturities, available for sale	—	(1.9)	—	—	(1.9)
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(39.8)	2.6	(6.4)	21.4	(22.2)

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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 nine months ended September 30, 2019 (dollars in millions):

	September 30, 2019							
	Beginning balance as of December 31, 2018	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of September 30, 2019	Amount of total gains (losses) for the nine months ended September 30, 2019 included in our net income relating to assets and liabilities still held as of the reporting date
Assets:								
Fixed maturities, available for sale:								
Corporate securities	$ 158.6	$ (27.8)	$ (4.6)	$ 10.6	$ 34.7	$ —	$ 171.5	$ (4.0)
Foreign governments	1.0	—	—	—	—	—	1.0	—
Asset-backed securities	12.0	(.5)	—	1.1	—	—	12.6	—
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—
Total fixed maturities, available for sale	171.6	(28.3)	(4.6)	11.7	34.7	—	185.1	(4.0)
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)	(109.8)	(109.7)	—	—	—	(1,508.5)	(109.7)

(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 nine months ended September 30, 2019 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ .1	$ (27.9)	$ —	$ —	$ (27.8)
Asset-backed securities	—	(.5)	—	—	(.5)
Total fixed maturities, available for sale	.1	(28.4)	—	—	(28.3)
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(115.5)	4.5	(66.6)	67.8	(109.8)

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.

At September 30, 2020, 92 percent of our Level 3 fixed maturities, available for sale, were investment grade and 87 percent of our Level 3 fixed maturities, available for sale, consisted of corporate securities.

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 September 30, 2020 (dollars in millions):

	Fair value at September 30, 2020	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	$ 5.6	Discounted cash flow analysis	Discount margins	4.33% - 4.57% (4.55%)
Asset-backed securities (c)	12.6	Discounted cash flow analysis	Discount margins	2.47%
Equity securities (d)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Other assets categorized as Level 3 (e)	137.0	Unadjusted third-party price source	Not applicable	Not applicable
Total	163.5			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (f)	1,598.9	Discounted projected embedded derivatives	Projected portfolio yields	3.65% - 4.25% (4.23%)
			Discount rates	0.00% - 2.46% (0.83%)
			Surrender rates	1.30% - 24.00% (10.00%)

(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) 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.
(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 have resulted 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 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 September 30, 2020, and its consolidated results of operations for the nine months ended September 30, 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. In addition, the results for the nine months ended September 30, 2020, were impacted by: (i) our actuarial unlocking exercise to reduce future expected new money rates and lower the option budgets on our fixed index products; (ii) increase our accrual for the Global Resolution Agreement (both of which were recognized in the second quarter of 2020); and (iii) favorable health claim experience.

We are closely monitoring developments relating to COVID-19 and assessing its impact on our business, policyholders, agents and associates. 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 or potential adverse impacts from global warming;
- 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 three insurance product lines (annuity, health and life) 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 and life) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. Under our new operating model, the business written in each of the three 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, net of insurance intangibles, for the block in each period.

Income from insurance products is the sum of the insurance margins of the annuity, health and life product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, investment income not allocated to product lines, 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. Sales in the Worksite Division have been particularly adversely impacted by the COVID-19 pandemic given the challenges of interacting with customers at their place of employment.

The Consumer and Worksite Divisions are primarily focused on marketing insurance products, several types of which are sold in both divisions and underwritten in the same manner. Sales of group underwritten policies are currently not significant, but are expected to increase within the Worksite Division.

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 (loss) from COLI and variations in income (loss) 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 and nine months ending September 30, 2020 and 2019 (dollars in millions, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Insurance product margin				
Annuity margin	$ 45.3	$ 56.2	$ 228.6	$ 169.6
Health margin	152.2	89.3	334.6	269.9
Life margin	47.3	54.6	127.7	149.4
Total insurance product margin	244.8	200.1	690.9	588.9
Allocated expenses	(130.3)	(131.3)	(395.0)	(402.4)
Income from insurance products	114.5	68.8	295.9	186.5
Fee income	.8	3.0	13.8	11.8
Investment income not allocated to product lines	43.7	34.3	109.3	125.9
Expenses not allocated to product lines	(13.7)	(18.2)	(66.0)	(56.2)
Operating earnings before taxes	145.3	87.9	353.0	268.0
Income tax expense on operating income	(32.7)	(18.7)	(76.7)	(56.6)
Net operating income (a)	112.6	69.2	276.3	211.4
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	7.7	(2.6)	(43.7)	(5.0)
Net change in market value of investments recognized in earnings	8.5	4.7	(8.7)	28.1
Fair value changes related to agent deferred compensation plan	—	(6.0)	(13.2)	(22.9)
Fair value changes in embedded derivative liabilities (net of related amortization)	(1.6)	(29.3)	(95.4)	(94.8)
Loss on extinguishment of debt	—	—	—	(7.3)
Other	6.5	(1.2)	8.8	.7
Net non-operating income (loss) before taxes	21.1	(34.4)	(152.2)	(101.2)
Income tax expense (benefit) on non-operating income (loss)	4.5	(7.2)	(31.9)	(21.2)
Valuation allowance for deferred tax assets and other tax items	—	—	(34.0)	—
Net non-operating income (loss)	16.6	(27.2)	(86.3)	(80.0)
Net income	$ 129.2	$ 42.0	$ 190.0	$ 131.4
Per diluted share				
Net operating income	$ .79	$ .45	$ 1.92	$ 1.33
Net non-operating income (loss)	.12	(.18)	(.60)	(.50)
Net income	$ .91	$ .27	$ 1.32	$ .83

(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) fair value changes related to the agent deferred compensation plan, net of taxes; (v) loss on extinguishment of debt, net of taxes; and (vi) other non-operating items consisting primarily of earnings attributable to 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.

CHANGES IN ACTUARIAL ASSUMPTIONS IN THE SECOND QUARTER OF 2020

We conducted our annual comprehensive review of actuarial assumptions in the fourth quarter of 2019. However, we update our assumptions, as necessary, to the extent current conditions or circumstances warrant changes that could be significant to our operating results. Given our expectation that interest rates will remain low for the long-term, we performed an actuarial unlocking exercise in the second quarter of 2020 to reflect our assumption that average new money rates will remain flat at 4 percent for the long-term. This change and the related impacts to persistency assumptions had a $45.6 million unfavorable impact on pre-tax earnings. As part of the actuarial unlocking exercise, we also changed our assumptions related to the future option costs we incur in providing benefits on fixed index annuities which had a favorable impact on pre-tax earnings of $91.5 million. These future option costs represent the estimated cost we will incur to purchase a series of annual forward options over the duration of the policy that back the potential return based on a percentage of the amount of increase in the value of the appropriate index. When interest rates decrease, we are permitted (subject to policy minimums) to decrease this benefit, lowering the option costs. The impact of these changes in assumptions is summarized below (dollars in millions):

	Line of business			
	Fixed index annuities	Fixed interest annuities	Interest-sensitive life	Total
	Favorable (unfavorable)			
Impacts of an average new money rate assumption of 4 percent				
Insurance policy benefits	$ (5.0)	$ —	$ (7.4)	$ (12.4)
Amortization of insurance intangibles	(25.6)	(9.4)	1.8	(33.2)
Subtotal	(30.6)	(9.4)	(5.6)	(45.6)
Impacts of changes in future option costs				
Insurance policy benefits	104.8	—	—	104.8
Amortization of insurance intangibles	(13.3)	—	—	(13.3)
Subtotal	91.5	—	—	91.5
Impact on pre-tax income	$ 60.9	$ (9.4)	$ (5.6)	$ 45.9

As noted above, the magnitude of the offsetting impacts of the change in new money rate and the change in future option costs had significantly different impacts on our results in the second quarter of 2020. These results are consistent with the different accounting requirements for insurance intangibles and the embedded derivatives related to the future option budgets for our fixed index annuity products.

Insurance intangibles related to interest-sensitive products are amortized in relation to estimated gross profits using the interest rate credited to the underlying policies. When actual profits or our current best estimates of future profits are different than our previous estimates, we adjust the cumulative amortization of insurance acquisition costs to maintain amortization expense as a constant percentage of gross profits over the entire life of the policies.

Due to this accounting requirement, only a portion of the reduced estimated gross profits due to the change in new money rate assumptions is recognized in earnings in the period of unlocking. The adjustment to gross profits is spread on a retrospective basis over the life of the related blocks of business. The unlocking adjustment in the second quarter of 2020 is a “catch-up” adjustment recognized through earnings to reflect the inception date to current date income adjustments, as if our current assumptions were used to determine amortization from each policy’s inception date. For example, the changes in new money rate and persistency assumptions had the effect of reducing estimated gross profits by approximately $280 million. This impact compares to the net unfavorable unlocking adjustments of $45.6 million.

In contrast, the options attributable to the policyholder for the estimated life of the contract is treated as an embedded derivative. We are required to record the embedded derivatives related to our fixed index annuity products at estimated fair value. The value of the embedded derivatives is determined based on the present value of estimated future option costs discounted using a risk-free rate adjusted for our non-performance risk and a risk charge. This rate is currently very low at

.85%. Due to this accounting requirement, a significant percentage of the change in gross profits attributable to the change in option budgets is reflected in our current earnings as an unlocking adjustment. For example, the change in expected future option budgets had the effect of increasing estimated gross profits by approximately $105 million. This impact compares to the net favorable unlocking adjustments of $91.5 million.

Changes in future new money rate and persistency assumptions can also result in a charge related to our life, health and annuity with life contingency products. However, assumptions related to these products are locked in when the policies are issued and a charge is only taken when the present value of future cash flows, in combination with the related liability for insurance products, is less than the unamortized insurance intangible balance. In such case, the charge would be made to amortization expense at the time assumption changes result in a deficiency. If the deficiency exceeds the balance of insurance intangibles, a premium deficiency reserve is established for the excess. The recoverability test referred to above is conducted based on lines of business consistent with the manner we group them in our segment reporting.

Even after the changes in assumptions for new money rates, the loss recognition margins on our traditional life, long-term care, payout annuities, Medicare supplement and supplemental health products are positive. Although, no loss recognition was required in the second quarter of 2020, the future margins for these blocks would be reduced by approximately $160 million due to the impact of these changes in assumptions.

This actuarial unlocking exercise does not replace our comprehensive annual review of all assumptions for our insurance products, which we plan to complete in the fourth quarter of this year. Additional adjustments may be identified based on the results of the comprehensive annual review.

RESULTS OF OPERATIONS

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Insurance product margin				
Annuity:				
Insurance policy income	$ 4.3	$ 5.1	$ 14.4	$ 15.9
Net investment income	115.6	116.5	349.6	347.1
Insurance policy benefits	(20.1)	(7.3)	82.1	(20.3)
Interest credited	(42.4)	(42.0)	(128.0)	(126.8)
Amortization and non-deferred commissions	(12.1)	(16.1)	(89.5)	(46.3)
Annuity margin	45.3	56.2	228.6	169.6
Health:				
Insurance policy income	421.4	425.3	1,276.9	1,275.9
Net investment income	70.9	70.1	211.4	209.4
Insurance policy benefits	(295.5)	(360.4)	(1,008.3)	(1,069.2)
Amortization and non-deferred commissions	(44.6)	(45.7)	(145.4)	(146.2)
Health margin	152.2	89.3	334.6	269.9
Life:				
Insurance policy income	202.6	189.6	591.0	565.8
Net investment income	35.2	34.6	104.2	103.9
Insurance policy benefits	(143.3)	(121.4)	(423.0)	(378.4)
Interest credited	(11.4)	(10.7)	(32.6)	(31.5)
Amortization and non-deferred commissions	(21.6)	(21.4)	(61.5)	(62.6)
Advertising expense	(14.2)	(16.1)	(50.4)	(47.8)
Life margin	47.3	54.6	127.7	149.4
Total insurance product margin	244.8	200.1	690.9	588.9
Allocated expenses:				
Branch office expenses	(13.5)	(18.3)	(47.5)	(56.9)
Other allocated expenses	(116.8)	(113.0)	(347.5)	(345.5)
Income from insurance products	114.5	68.8	295.9	186.5
Fee income	.8	3.0	13.8	11.8
Investment income not allocated to product lines	43.7	34.3	109.3	125.9
Expenses not allocated to product lines	(13.7)	(18.2)	(66.0)	(56.2)
Operating earnings before taxes	145.3	87.9	353.0	268.0
Income tax expense on operating income	(32.7)	(18.7)	(76.7)	(56.6)
Net operating income	$ 112.6	$ 69.2	$ 276.3	$ 211.4

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 and life 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 and life product lines, less expenses allocated to the insurance lines. It excludes the income from our fee income business, investment income not allocated to product lines, 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, net of insurance intangibles, 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 (loss) from COLI and variations in income (loss) 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 on extinguishment of debt, net of taxes; (vi) changes in the valuation allowance for deferred tax assets and other tax items; and (vii) 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 $112.6 million in the third quarter of 2020, up from $69.2 million in the third quarter of 2019, and was $276.3 million in the first nine months of 2020, up from $211.4 million in the first nine months of 2019.

Insurance product margin for the nine months ended September 30, 2020, was significantly impacted by: (i) changes in our actuarial assumptions as further described above under the caption "Changes in Actuarial Assumptions in the Second Quarter of 2020"; and (ii) pandemic-related impacts including higher mortality and lower health claims reflecting the deferral of health care.

The higher fee income in the first nine months of 2020 primarily reflects changes in assumptions used to estimate revenues on the sales of third-party products, net of related distribution expenses. Fee income in the third quarter of 2020 reflects additional expenses related to an initiative to sell third-party Medicare Advantage policies through direct-to-consumer channels. Although these expenses are expected to result in increased sales during the annual Medicare open enrollment period which lasts from October 15, 2020 to December 7, 2020, we are required to recognize them in the period incurred.

Investment income not allocated to product lines generally fluctuates with variable investment income including income (loss) on alternative investments and prepayment and call income.

Expenses not allocated to product lines were higher in the nine months ended September 30, 2020, due to a $23.5 million increase (recognized in the second quarter of 2020) in our liability for claims and interest pursuant to the Global Resolution Agreement as the third-party auditor has provided information that we have processed and verified allowing us to more accurately estimate the ultimate liability pursuant to the agreement. See the note to the consolidated financial statements entitled "Litigation and Other Legal Proceedings - Regulatory Examinations and Fines" for further information about the Global Resolution Agreement.

Margin from Annuity Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Annuity margin:				
Fixed index annuities				
Insurance policy income	$ 2.5	$ 2.9	$ 8.4	$ 8.8
Net investment income	83.1	78.7	248.1	230.0
Insurance policy benefits	(11.5)	(1.1)	91.6	(1.1)
Interest credited	(27.6)	(25.4)	(82.1)	(75.8)
Amortization and non-deferred commissions	(9.9)	(12.9)	(73.3)	(37.1)
Margin from fixed index annuities	$ 36.6	$ 42.2	$ 192.7	$ 124.8
Average net insurance liabilities	$ 7,173.9	$ 6,587.5	$ 7,050.5	$ 6,390.1
Margin/average net insurance liabilities	2.04 %	2.56 %	3.64 %	2.60 %
Fixed interest annuities				
Insurance policy income	$ .2	$ .4	$ .6	$ 1.3
Net investment income	25.7	30.2	80.6	94.2
Insurance policy benefits	(.4)	—	(.5)	(.2)
Interest credited	(14.2)	(15.7)	(43.5)	(48.1)
Amortization and non-deferred commissions	(2.1)	(3.2)	(15.9)	(9.2)
Margin from fixed interest annuities	$ 9.2	$ 11.7	$ 21.3	$ 38.0
Average net insurance liabilities	$ 2,041.6	$ 2,263.4	$ 2,092.0	$ 2,339.5
Margin/average net insurance liabilities	1.80 %	2.07 %	1.36 %	2.17 %
Other annuities				
Insurance policy income	1.6	1.8	5.4	5.8
Net investment income	6.8	7.6	20.9	22.9
Insurance policy benefits	(8.2)	(6.2)	(9.0)	(19.0)
Interest credited	(.6)	(.9)	(2.4)	(2.9)
Amortization and non-deferred commissions	(.1)	—	(.3)	—
Margin from other annuities	$ (.5)	$ 2.3	$ 14.6	$ 6.8
Average net insurance liabilities	$ 524.0	$ 569.8	$ 536.3	$ 573.3
Margin/average net insurance liabilities	(.38)%	1.61 %	3.63 %	1.58 %
Total annuity margin	$ 45.3	$ 56.2	$ 228.6	$ 169.6
Average net insurance liabilities	$ 9,739.5	$ 9,420.7	$ 9,678.8	$ 9,302.9
Margin/average net insurance liabilities	1.86 %	2.39 %	3.15 %	2.43 %

Margin from fixed index annuities was $36.6 million in the third quarter of 2020, compared to $42.2 million in 2019, and was $192.7 million in the first nine months of 2020, compared to $124.8 million in 2019. The increase in margin in the first nine months of 2020 is primarily due to: (i) the favorable impact of actuarial assumption changes previously discussed; and (ii) 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 $7,173.9 million and $6,587.5 million in the third quarters of 2020 and 2019, respectively, and were $7,050.5 million and $6,390.1 million in the first nine months of 2020 and 2019, respectively, driven by deposits and reinvested returns in excess of withdrawals in periods subsequent to the third quarter of 2019. The increase in net insurance liabilities results in higher net investment income allocated, however, the earned yield was 4.63 percent in the third quarter of 2020, down from 4.78 percent in 2019, and was 4.69 percent in the first nine months of 2020, down from 4.80 percent in 2019, reflecting lower market yields. In the third quarter of 2020, we experienced higher persistency in the fixed index annuity block. We believe such higher persistency was indirectly related to COVID-19 as policyholders continued to hold on to their current

products due to lower yields on competing products and avoided meeting with agents to discuss alternative products. The higher persistency unfavorably impacted margin by $6.6 million in the third quarter of 2020 primarily due to the fair value accounting of the embedded derivative related to the fixed index annuities as summarized below (dollars in millions):

	Favorable (unfavorable)
Insurance policy income	$ (.8)
Insurance policy benefits	(9.8)
Amortization	4.0
Net impact	$ (6.6)

Net investment income and interest credited exclude the change in market values of the underlying options supporting the fixed index annuity products and corresponding offsetting amount credited to policyholder account balances. Such amounts were $39.3 million and $3.0 million in the third quarters of 2020 and 2019, respectively, and were $(35.7) million and $61.1 million in the first nine months of 2020 and 2019, respectively.

Margin from fixed interest annuities was $9.2 million in the third quarter of 2020, compared to $11.7 million in 2019, and was $21.3 million in the first nine months of 2020, compared to $38.0 million in 2019. The decrease in margin in the first nine months of 2020 is primarily due to: (i) the unfavorable impact of actuarial assumption changes previously discussed; and (ii) a reduction in the size of the block. Average net insurance liabilities were $2,041.6 million in the third quarter of 2020 compared to $2,263.4 million in 2019 and were $2,092.0 million in the first nine months of 2020 compared to $2,339.5 million in 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 5.04 percent in the third quarter of 2020 from 5.34 percent in 2019 and to 5.14 percent in the first nine months of 2020 from 5.37 percent in 2019, reflecting lower market yields.

Margin from other annuities in the first nine months of 2020 reflects favorable mortality compared to the same period in the prior year. Annuitant mortality related to contracts with life contingencies resulted in a decrease in insurance liabilities and insurance policy benefits of $9.8 million in the second quarter of 2020. Margin from other annuities in the third quarter of 2020 reflected lower mortality compared to the same period in 2019.

Margin from Health Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Health margin:				
Supplemental health				
Insurance policy income	$ 169.2	$ 165.3	$ 508.8	$ 492.9
Net investment income	35.5	34.4	105.3	104.1
Insurance policy benefits	(125.8)	(128.2)	(396.8)	(380.2)
Amortization and non-deferred commissions	(27.8)	(27.6)	(83.6)	(83.0)
Margin from supplemental health	$ 51.1	$ 43.9	$ 133.7	$ 133.8
Margin/insurance policy income	30 %	27 %	26 %	27 %
Medicare supplement				
Insurance policy income	$ 186.1	$ 192.8	$ 568.7	$ 581.5
Net investment income	1.2	1.0	3.6	3.3
Insurance policy benefits	(102.0)	(146.0)	(375.3)	(431.6)
Amortization and non-deferred commissions	(13.6)	(14.7)	(52.0)	(52.8)
Margin from Medicare supplement	$ 71.7	$ 33.1	$ 145.0	$ 100.4
Margin/insurance policy income	39 %	17 %	25 %	17 %
Long-term care margin				
Insurance policy income	$ 66.1	$ 67.2	$ 199.4	$ 201.5
Net investment income	34.2	34.7	102.5	102.0
Insurance policy benefits	(67.7)	(86.2)	(236.2)	(257.4)
Amortization and non-deferred commissions	(3.2)	(3.4)	(9.8)	(10.4)
Margin from long-term care	$ 29.4	$ 12.3	$ 55.9	$ 35.7
Margin/insurance policy income	44 %	18 %	28 %	18 %
Total health margin	$ 152.2	$ 89.3	$ 334.6	$ 269.9
Margin/insurance policy income	36 %	21 %	26 %	21 %

Margin from supplemental health business was $51.1 million in the third quarter of 2020, up 16 percent from 2019, and was $133.7 million in the first nine months of 2020, essentially flat compared to 2019. The margin as a percentage of insurance policy income was 30% in the third quarter of 2020 compared to 27% in the prior year period and 26% in first nine months of 2020 compared to 27% in the prior year period. Insurance policy benefits in the third quarter of 2020 reflected better claims experience than expected which is attributable to policyholders deferring health care during the pandemic. Such deferral of care is expected to normalize in future periods. Based on actual claims incurred relative to our expectations and previous experience prior to COVID-19, we estimate that the supplemental health margin was favorably impacted by approximately $6 million in the third quarter of 2020. Insurance policy income increased due to new sales in recent periods. Our margin on the supplemental health business in the first nine months of 2020 was unfavorably impacted by higher persistency resulting in a lower release of reserves, which was offset by favorable claim experience.

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 $71.7 million and $33.1 million in the third quarters of 2020 and 2019, respectively, and was $145.0 million and $100.4 million in the first nine months of 2020 and 2019, respectively. The increase in margin on the Medicare supplement business in the 2020 periods reflects favorable claim experience. Such favorable claim experience in the second and third quarters of 2020 is attributable to policyholders deferring health care during the pandemic which is expected to normalize and may lead to higher claim costs in future periods. Based on actual claims incurred relative to our expectations and previous experience prior to COVID-19, we estimate that the Medicare supplement margin was favorably impacted by approximately $36 million in the third quarter of 2020. Insurance policy income was $186.1 million in the third quarter of 2020, down 3.5 percent from 2019, and was $568.7 million in the first nine months of 2020, down 2.2 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 Long-term care products was $29.4 million in the third quarter of 2020, up 139 percent from 2019, and was $55.9 million in the first nine months of 2020, up 57 percent from 2019. The margin as a percentage of insurance policy income increased to 44% in the third quarter of 2020, compared to 18% in the third quarter of 2019, and to 28% in the first nine months of 2020, compared to 18% in the first nine months of 2019. The margin in the 2020 periods benefited from reserve releases due to deaths that occurred as well as lower claims incurred attributable to policyholders deferring health care during the pandemic which is expected to normalize in future periods. Based on actual claims incurred and persistency relative to our expectations and previous experience prior to COVID-19, we estimate that the long-term care margin was favorably impacted by approximately $16 million in the third quarter of 2020.

Margin from Life Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Life margin:				
Interest-sensitive life				
Insurance policy income	$ 40.1	$ 37.1	$ 118.4	$ 110.6
Net investment income	11.9	11.7	35.3	35.0
Insurance policy benefits	(16.0)	(13.6)	(54.9)	(44.4)
Interest credited	(11.2)	(10.5)	(32.1)	(30.9)
Amortization and non-deferred commissions	(6.9)	(6.7)	(19.1)	(20.8)
Margin from interest-sensitive life	$ 17.9	$ 18.0	$ 47.6	$ 49.5
Average net insurance liabilities	$ 926.7	$ 869.2	$ 913.4	$ 860.6
Interest margin	$ .7	$ 1.2	$ 3.2	$ 4.1
Interest margin/average net insurance liabilities	.30 %	.55 %	.47 %	.64 %
Underwriting margin	$ 17.2	$ 16.8	$ 44.4	$ 45.4
Underwriting margin/insurance policy income	43 %	45 %	38 %	41 %
Traditional life				
Insurance policy income	$ 162.5	$ 152.5	$ 472.6	$ 455.2
Net investment income	23.3	22.9	68.9	68.9
Insurance policy benefits	(127.3)	(107.8)	(368.1)	(334.0)
Interest credited	(.2)	(.2)	(.5)	(.6)
Amortization and non-deferred commissions	(14.7)	(14.7)	(42.4)	(41.8)
Advertising expense	(14.2)	(16.1)	(50.4)	(47.8)
Margin from traditional life	$ 29.4	$ 36.6	$ 80.1	$ 99.9
Margin/insurance policy income	18 %	24 %	17 %	22 %
Margin excluding advertising expense/insurance policy income	27 %	35 %	28 %	32 %
Total life margin	$ 47.3	$ 54.6	$ 127.7	$ 149.4

Margin from interest-sensitive life business was $17.9 million in the third quarter of 2020, essentially flat compared to 2019, and was $47.6 million in the first nine months of 2020, down 3.8 percent from 2019. The decrease in margin in the first nine months of 2020 is primarily due to: (i) the unfavorable impact of actuarial assumptions previously discussed; partially offset by (ii) growth in the block due to sales in recent periods. In addition, we estimate that the impact from death claims related to COVID-19 on the margin of this block of business was approximately $3 million and $4 million in the three and nine months ended September 30, 2020, respectively.

The interest margin was $.7 million and $1.2 million in the third quarters of 2020 and 2019, respectively, and was $3.2 million and $4.1 million in the first nine months of 2020 and 2019, respectively. Net investment income in the 2020 periods is comparable to the 2019 periods. The increase in average net insurance liabilities results in higher net investment income allocated, however, the decrease in earned yield has resulted in net investment income being flat compared to the prior year. The earned yield was 5.14 percent and 5.38 percent in the third quarters of 2020 and 2019, respectively, and 5.15 percent and 5.42 percent in the first nine months of 2020 and 2019, respectively. 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 offsetting amount credited to policyholder account balances. Such amounts

were $6.7 million and $.6 million in the third quarters of 2020 and 2019, respectively, and were $(4.1) million and $9.2 million in the first nine months of 2020 and 2019, respectively.

Margin from traditional life business was $29.4 million in the third quarter of 2020, down 20 percent from 2019, and was $80.1 million in the first nine months of 2020, down 20 percent from 2019. Insurance policy income was $162.5 million in the third quarter of 2020, up 6.6 percent from the 2019 period, and was $472.6 million in the first nine months of 2020, up 3.8 percent from the 2019 period, reflecting new sales and persistency in the block. Insurance policy benefits were $127.3 million in the third quarter of 2020, up 18 percent from the same period in 2019, and were $368.1 million in the first nine months of 2020, up 10 percent from the 2019 period. We estimate that the impact from death claims related to COVID-19 increased insurance policy benefits by approximately $6 million and $19 million in the three and nine months ended September 30, 2020, respectively.

Allocated net investment income in the 2020 periods was comparable to the 2019 periods, as the growth in the block was offset by lower average investment yields in the 2020 periods.

Advertising expense was $14.2 million in the third quarter of 2020, down $1.9 million from the comparable period in 2019, and was $50.4 million in the first nine months of 2020, up $2.6 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Collected premiums from annuity and interest-sensitive life products:				
Annuities	$ 285.1	$ 325.2	$ 820.0	$ 982.1
Interest-sensitive life	50.0	51.1	154.4	150.5
Total collected premiums from annuity and interest-sensitive life products	$ 335.1	$ 376.3	$ 974.4	$ 1,132.6

Collected premiums from annuity and interest-sensitive products decreased 11 percent in the third quarter of 2020, compared to the third quarter of 2019 and 14 percent in the first nine months of 2020, compared to the first nine months 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net investment income	$ 343.5	$ 299.5	$ 831.9	$ 989.8
Allocated to product lines:				
Annuity	(115.6)	(116.5)	(349.6)	(347.1)
Health	(70.9)	(70.1)	(211.4)	(209.4)
Life	(35.2)	(34.6)	(104.2)	(103.9)
Equity returns credited to policyholder account balances	(46.0)	(3.6)	39.8	(70.3)
Amounts allocated to product lines and credited to policyholder account balances	(267.7)	(224.8)	(625.4)	(730.7)
Amount related to variable interest entities and other non-operating items	(9.8)	(13.7)	(31.0)	(48.9)
Interest expense on debt	(13.6)	(13.9)	(40.8)	(38.6)
Interest expense on investment borrowings	(3.4)	(11.4)	(18.3)	(36.1)
Less amounts credited to deferred compensation plans (offsetting investment income)	(5.3)	(1.4)	(7.1)	(9.6)
Total adjustments	(32.1)	(40.4)	(97.2)	(133.2)
Investment income not allocated to product lines	$ 43.7	$ 34.3	$ 109.3	$ 125.9

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 fluctuations in investment income not allocated to product lines in the 2020 periods are primarily attributed to changes in variable investment income including income (loss) on alternative investments and prepayment and call income.

Net Non-Operating Income (Loss):

The following summarizes our net non-operating income (loss) for the three and nine months ending September 30, 2020 and 2019 (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	$ 7.7	$ (2.6)	$ (43.7)	$ (5.0)
Net change in market value of investments recognized in earnings	8.5	4.7	(8.7)	28.1
Fair value changes related to agent deferred compensation plan	—	(6.0)	(13.2)	(22.9)
Fair value changes in embedded derivative liabilities (net of related amortization)	(1.6)	(29.3)	(95.4)	(94.8)
Loss on extinguishment of debt	—	—	—	(7.3)
Other	6.5	(1.2)	8.8	.7
Net non-operating income (loss) before taxes	$ 21.1	$ (34.4)	$ (152.2)	$ (101.2)

Net realized investment gains (losses), net of related amortization, in the three and nine months ended September 30, 2020, were $7.7 million and $(43.7) million, respectively, including an (increase) decrease in the allowance for credit losses and other-than-temporary impairment losses of $8.1 million and $(31.4) million, respectively, which were recorded in earnings. The increase in the allowance for credit losses in the first nine months 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 nine months of 2019 were $5.0 million (net of related amortization) including other-than-temporary impairment losses of $5.6 million which were recorded in earnings.

During the first nine months of 2020 and 2019, we recognized an increase (decrease) in earnings of $(8.7) million and $28.1 million, respectively, due to the net change in market value of investments recognized in earnings.

During the first nine months of 2020 and 2019, we recognized a decrease in earnings of $13.2 million and $22.9 million, respectively, 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 nine months of 2020 and 2019, we recognized a decrease in earnings of $95.4 million and $94.8 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 September 30, 2020, the weighted average discount rate used to value this liability was .83 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 nine months of 2020 was the primary factor in the change in estimated fair value of the embedded derivative liabilities.

Loss on extinguishment of debt in the first nine months of 2019 of $7.3 million consisted of: (i) a premium of $6.1 million due to the redemption of the 4.500% Senior Notes due May 2020 (the "2020 Notes"); and (ii) $1.2 million related to the write-off of unamortized issuance costs due to the redemption of the 2020 Notes.

LIQUIDITY AND CAPITAL RESOURCES

Potential Impacts of COVID-19 Pandemic

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

- the impact of the COVID-19 environment on the sales of some of our insurance products;
- 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, equity performance, and market volatility.

Given the ongoing uncertainty related to how the COVID-19 pandemic will impact our results and the continued economic impact it will have, we continue to model a range of potential outcomes across these three dimensions. The purpose of our modeling is not to predict certain outcomes, but to develop a range of potential outcomes and manage capital and liquidity in the context of outcomes within the range. We most recently updated our models for two scenarios in October 2020. These scenarios incorporate many assumptions and actual conditions in future periods may differ materially from the assumptions used in modeling the two scenarios. In the first scenario, which assumes a vaccine is available in mid-2021 and infections persist through early 2022, we assumed 724,000 deaths from the virus in the United States (338,000 in 2020, 358,000 in 2021 and 28,000 in 1Q2022) and muted economic growth in 2021. In the second scenario, which assumes no vaccine is developed, we assumed 1,446,000 deaths from the virus in the United States through 2023 (338,000 in 2020, 428,000 in 2021, 371,000 in 2022 and 309,000 in 2023) with the economy not recovering until 2023. In both scenarios, we currently estimate a mortality impact on CNO of $68,000 per 1,000 U.S. deaths.

The COVID-19 pandemic has impacted our consolidated sales volumes. In the second and third quarters of 2020, our sales of health and life insurance products (measured by new annualized premiums) across both our Consumer and Worksite Divisions decreased by 10 percent compared to the same periods in 2019. The lower sales in 2020 will adversely impact our earnings in future periods. Sales of such products increased 21 percent in the third quarter of 2020 compared to the second quarter of 2020, recovering to near pre-COVID-19 levels.

In the second and third quarters of 2020, our Consumer Division life and health sales (new annualized premiums) increased (decreased) by (10) percent and 10 percent, respectively, compared to the same periods in 2019. Sales of such products increased 19 percent in the third quarter of 2020 compared to the second quarter of 2020. Collected premiums from our annuity products decreased 29 percent and 12 percent in the second and third quarters of 2020, respectively, compared to the same periods in 2019. Such collected premiums increased 17 percent in the third quarter of 2020 as compared to the second quarter of 2020. As the economy has reopened and our customers and agents have become more accustomed to virtual transactions, sales in the Consumer Division have improved. In addition, sales of life insurance sold directly to the consumer in the second and third quarters of 2020 significantly exceeded comparable prior year amounts.

Similar to other insurance companies selling insurance products at the workplace, sales within our Worksite Division have been significantly below prior year levels. In the second and third quarters of 2020, our Worksite Division life and health sales (new annualized premiums) decreased 69 percent and 56 percent, respectively, compared to the same periods in 2019. Sales of such products increased 48 percent in the third quarter of 2020 compared to the second quarter of 2020. We currently expect sales in the Worksite Division to further improve in the fourth quarter in conjunction with open enrollment periods, but expect such sales to be significantly lower than sales in the fourth quarter of 2019.

With respect to changes in mortality and morbidity, we estimate that COVID-19 related claims could have a modestly favorable impact on 4Q2020 total insurance product margin. In the second and third quarters of 2020, our margin on life insurance products reflected an estimated $14 million and $9 million, respectively, of adverse mortality impact related to COVID-19. While higher mortality claims unfavorably impacted our life product margins, our health product margins have generally benefited due to lower claims experience. We estimate the COVID-19 environment favorably impacted our health margins by approximately $58 million in the third quarter of 2020 primarily due to consumers deferring medical care

treatments. We expect this trend to revert to normal over time. Such deferral of care and possible long-term health complications from COVID-19 may lead to higher life and health claim costs in future periods.

The persistency of policies has generally been higher than pre-COVID-19 periods and we expect persistency to have a neutral impact going forward in both of our scenarios. However, there remains 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 generally 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.

We believe our earnings over the long-term will be impacted by lower interest rates consistent with the assumptions reflected in our actuarial unlocking exercise in the second quarter of 2020. Refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Changes in Actuarial Assumptions in the Second Quarter of 2020" for further information related to changes in certain actuarial assumptions and their impact on our operating results in the second quarter of 2020.

With respect to capital, based on the modeling described above, even with the more adverse impacts of the second scenario, 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; and
- have continued capacity for share repurchases.

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 addition, policies and actions taken by the U.S. government have mitigated the impacts of COVID-19 on the financial markets, investment performance and valuations. There can be no assurance that these policies or actions will continue. 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 September 30, 2020 and December 31, 2019 was as follows (dollars in millions):

	September 30, 2020	December 31, 2019
Total capital:		
Corporate notes payable	$ 990.1	$ 989.1
Shareholders' equity:		
Common stock	1.4	1.5
Additional paid-in capital	2,623.4	2,767.3
Accumulated other comprehensive income	1,801.6	1,372.5
Retained earnings	657.5	535.7
Total shareholders' equity	5,083.9	4,677.0
Total capital	$ 6,074.0	$ 5,666.1

The following table summarizes certain financial ratios as of and for the nine months ended September 30, 2020 and as of and for the year ended December 31, 2019:

	September 30, 2020	December 31, 2019
Book value per common share	$ 36.59	$ 31.58
Book value per common share, excluding accumulated other comprehensive income (a)	23.63	22.32
Debt to total capital ratios:		
Corporate debt to total capital	16.3 %	17.5 %
Corporate debt to total capital, excluding accumulated other comprehensive income (a)	23.2 %	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 September 30, 2020, the carrying value of the FHLB common stock was $71.0 million. As of September 30, 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 September 30, 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 428 percent at September 30, 2020, compared to 408 percent at December 31, 2019. The increase is primarily due to statutory operating earnings and the impacts of a change in principle related to certain reserve calculations, net of dividends paid to the holding company, which were partially offset by a 23 percentage point decrease in investment valuation-related items. In the first nine months of 2020, our estimated consolidated statutory operating earnings were $358.6 million and insurance company dividends of $180.8 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.

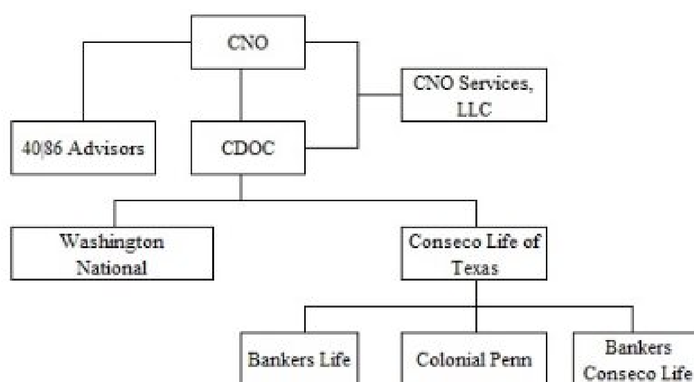
Rating agencies have increased the frequency and scope of their credit reviews and requested additional information from the companies that they rate, including us. They may also adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. 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 September 30, 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 $235.9 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 nine months of 2020, our insurance subsidiaries paid dividends to CDOC totaling $180.8 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 371 percent at September 30, 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 September 30, 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	$ 286.8	(a)
Colonial Penn	(359.0)	(b)

(a) Bankers Life paid cash dividends of $172.9 million to CLTX in the first nine months of 2020. Bankers Life may pay dividends without regulatory approval or 30 days 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 September 30, 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 nine months of 2020, we generated approximately $268 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. In late June 2020, we resumed share repurchase activity after suspending such share repurchases in mid-March 2020 in light of the uncertainty related to the COVID-19 pandemic. We expect to have capacity to continue share repurchases in the fourth quarter of 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 nine months of 2020, we repurchased 10.0 million shares of common stock for $163.0 million under our securities repurchase program. The Company had remaining repurchase authority of $369.3 million as of September 30, 2020.

In the first nine months of 2020, dividends declared on common stock totaled $50.4 million ($0.35 per common share). In May 2020, the Company increased its quarterly common stock dividend to $0.12 per share from $0.11 per share.

On April 21, 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 September 30, 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	$ 11,030.5	$ 2,201.1	$ (19.5)	$ (1.6)	$ 13,210.5
United States Treasury securities and obligations of United States government corporations and agencies	162.3	79.5	—	—	241.8
States and political subdivisions	2,269.8	352.7	(3.0)	(.2)	2,619.3
Foreign governments	85.6	18.7	—	—	104.3
Asset-backed securities	1,002.9	37.3	(12.3)	—	1,027.9
Agency residential mortgage-backed securities	60.9	6.7	—	—	67.6
Non-agency residential mortgage-backed securities	935.1	46.5	(.9)	—	980.7
Commercial mortgage-backed securities	1,810.4	95.2	(15.2)	—	1,890.4
Collateralized loan obligations	469.9	.1	(9.9)	—	460.1
Total investment grade fixed maturities, available for sale	17,827.4	2,837.8	(60.8)	(1.8)	20,602.6
Below-investment grade (a) (b):					
Corporate securities	738.8	38.7	(11.8)	(5.6)	760.1
States and political subdivisions	12.9	—	(3.3)	(.2)	9.4
Asset-backed securities	90.1	1.8	(2.4)	—	89.5
Non-agency residential mortgage-backed securities	1,053.8	131.2	(4.7)	—	1,180.3
Commercial mortgage-backed securities	60.3	1.6	(.9)	—	61.0
Total below-investment grade fixed maturities, available for sale	1,955.9	173.3	(23.1)	(5.8)	2,100.3
Total fixed maturities, available for sale	$ 19,783.3	$ 3,011.1	$ (83.9)	$ (7.6)	$ 22,702.9

(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 September 30, 2020 is as follows (dollars in millions):

NAIC designation	Amortized cost	Estimated fair value	Percentage of total estimated fair value
1	$ 10,886.2	$ 12,508.6	55.1 %
2	7,983.1	9,260.5	40.8
Total NAIC 1 and 2 (investment grade)	18,869.3	21,769.1	95.9
3	666.5	687.0	3.0
4	228.9	229.1	1.0
5	17.6	17.7	.1
6	1.0	—	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	914.0	933.8	4.1
Total	$ 19,783.3	$ 22,702.9	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 September 30, 2020 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
States and political subdivisions	$ 2,628.7	11.6 %	$ 6.3	7.5 %
Non-agency residential mortgage-backed securities	2,161.0	9.5	5.6	6.7
Commercial mortgage-backed securities	1,951.4	8.6	16.1	19.2
Banks	1,601.8	7.1	1.9	2.3
Insurance	1,571.1	6.9	3.6	4.3
Utilities	1,514.0	6.7	1.0	1.2
Healthcare/pharmaceuticals	1,337.5	5.9	3.2	3.8
Asset-backed securities	1,117.4	4.9	14.7	17.5
Food/beverage	953.5	4.2	.4	.5
Brokerage	798.4	3.5	.1	.2
Energy	784.0	3.5	11.9	14.2
Technology	748.7	3.3	—	—
Telecom	567.1	2.5	.5	.5
Transportation	543.2	2.4	.1	.1
Real estate/REITs	464.3	2.0	2.1	2.5
Collateralized loan obligations	460.1	2.0	9.9	11.8
Cable/media	459.5	2.0	.1	.1
Capital goods	448.2	2.0	.1	.1
Chemicals	386.7	1.7	.3	.4
U.S. Treasury and Obligations	241.8	1.1	—	—
Other	1,964.5	8.6	6.0	7.1
Total fixed maturities, available for sale	$ 22,702.9	100.0 %	$ 83.9	100.0 %

Below-Investment Grade Securities

At September 30, 2020, the amortized cost of the Company's below-investment grade fixed maturity securities, available for sale, was $1,955.9 million, or 10 percent of the Company's fixed maturity portfolio. The estimated fair value of the below-investment grade portfolio was $2,100.3 million, or 107 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 nine months of 2020, the $51.3 million of realized losses on sales of $412.9 million of fixed maturity securities, available for sale included: (i) $15.8 million related to various corporate securities; (ii) $25.0 million related to commercial mortgage-backed securities; and (iii) $10.5 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 nine months of 2019, the $53.4 million of realized losses on sales of $936.6 million of fixed maturity securities, available for sale, included: (i) $46.1 million related to various corporate securities; and (ii) $7.3 million related to various other investments.

The following summarizes the investments sold at a loss during the first nine 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	18	$ 51.6	$ 36.6
Greater than or equal to 6 months and less than 12 months prior to sale	1	3.1	1.9
Greater than 12 months prior to sale	1	1.1	—
Total	20	$ 55.8	$ 38.5

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 September 30, 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	$ 9.4	$ 8.4
Due after one year through five years	66.1	64.8
Due after five years through ten years	186.3	180.5
Due after ten years	582.6	545.5
Subtotal	844.4	799.2
Structured securities	1,508.9	1,462.6
Total	$ 2,353.3	$ 2,261.8

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 September 30, 2020 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Greater than or equal to 6 months and less than 12 months	1	7.9	(2.2)	5.7
Total		$ 7.9	$ (2.2)	$ 5.7

The following table summarizes the gross unrealized losses of our fixed maturity securities, available for sale, by category and ratings category as of September 30, 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	$ 13.0	$ 2.2	$ .9	$ —	$ 16.1
Asset-backed securities	2.7	9.6	.6	1.8	14.7
Energy	—	4.1	7.8	—	11.9
Collateralized loan obligations	9.9	—	—	—	9.9
States and political subdivisions	.3	2.7	3.3	—	6.3
Non-agency residential mortgage-backed securities	.4	.5	3.4	1.3	5.6
Insurance	.2	3.4	—	—	3.6
Healthcare/pharmaceuticals	.9	2.2	—	.1	3.2
Retail	—	—	2.2	—	2.2
Real estate/REITs	.9	1.0	.2	—	2.1
Aerospace/defense	—	2.1	—	—	2.1
Banks	.3	1.6	—	—	1.9
Utilities	—	1.0	—	—	1.0
Other	.4	1.4	.5	1.0	3.3
Total fixed maturities, available for sale	$ 29.0	$ 31.8	$ 18.9	$ 4.2	$ 83.9

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 September 30, 2020, fixed maturity investments included structured securities with an estimated fair value of $5.8 billion (or 25.4 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 September 30, 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	$ 1,093.0	$ 1,117.4	5.0 %
Agency residential mortgage-backed securities	60.9	67.6	.3
Non-agency residential mortgage-backed securities	1,988.9	2,161.0	9.5
Commercial mortgage-backed securities	1,870.7	1,951.4	8.6
Collateralized loan obligations	469.9	460.1	2.0
Total structured securities	$ 5,483.4	$ 5,757.5	25.4 %

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues:				
Net investment income – policyholder and other special-purpose portfolios	$ 12.2	$ 17.2	$ 40.5	$ 58.0
Fee revenue and other income	1.2	1.3	3.8	4.4
Total revenues	13.4	18.5	44.3	62.4
Expenses:				
Interest expense	6.7	12.2	26.4	42.4
Other operating expenses	.3	.2	1.0	1.4
Total expenses	7.0	12.4	27.4	43.8
Income before net realized investment gains (losses) and income taxes	6.4	6.1	16.9	18.6
Net realized investment gains (losses)	3.4	(1.3)	(17.9)	(15.8)
Income (loss) before income taxes	$ 9.8	$ 4.8	$ (1.0)	$ 2.8

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 September 30, 2020 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Healthcare/pharmaceuticals	$ 148.5	12.7 %	$ 3.4	11.0 %
Technology	137.9	11.8	2.6	8.5
Cable/media	118.5	10.1	3.3	10.7
Food/beverage	82.7	7.1	2.6	8.5
Capital goods	73.1	6.2	1.7	5.5
Building materials	55.1	4.7	.8	2.6
Aerospace/defense	53.5	4.6	1.7	5.5
Paper	53.5	4.6	1.2	3.9
Brokerage	51.3	4.4	.9	2.8
Consumer products	46.0	3.9	1.7	5.6
Chemicals	38.1	3.2	.8	2.6
Insurance	34.5	2.9	.5	1.7
Retail	33.4	2.8	.8	2.6
Transportation	31.9	2.7	1.1	3.6
Autos	29.1	2.5	.6	1.9
Utilities	28.2	2.4	.5	1.7
Gaming	20.2	1.7	1.0	3.3
Business services	19.0	1.6	.4	1.2
Metals and mining	12.4	1.1	.3	1.0
Other	105.7	9.0	4.8	15.8
Total	$ 1,172.6	100.0 %	$ 30.7	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 September 30, 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	$ 4.7	$ 3.8
Due after one year through five years	745.5	705.3
Due after five years through ten years	375.4	363.6
Total	$ 1,125.6	$ 1,072.7

The following summarizes the investments sold at a loss during the first nine 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	6	$ 8.6	$ 6.2
Greater than or equal to 6 months and less than 12 months prior to sale	2	1.7	1.3
	8	$ 10.3	$ 7.5

There were no investments in our portfolio rated below-investment grade which had been continuously in an unrealized loss position exceeding 20 percent of the cost basis.

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. For additional information and risks related to the impact of the COVID-19 pandemic refer to Liquidity and Capital Resources - Potential Impacts of COVID-19 Pandemic included in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1A - Risk Factors.

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 September 30, 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 September 30, 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, actions taken by governmental authorities in response to the pandemic and the unknown long-term health impacts of COVID-19.

The COVID-19 pandemic has negatively impacted the U.S. and global economy, created significant volatility and disruption in the capital markets, dramatically increased unemployment levels and has fueled concerns that it will lead to another global recession. In addition, the pandemic has resulted in temporary, and in some cases permanent, 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. In the second quarter of 2020, our sales of health and life insurance products (measured by new annualized premiums) decreased by 19 percent compared to the same period in 2019. Sales of such products increased 21 percent in the third quarter of 2020, compared to the second quarter of 2020, recovering to near pre-COVID-19 levels. Premiums collected on annuity products decreased 29 percent and 12 percent in the second and third quarters of 2020, respectively, compared to the same periods in 2019. The extent to which the COVID-19 pandemic impacts our business, results of operations or financial condition will depend on the effectiveness of the measures already in place and actions taken, as well as 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 continue to 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 insurance products due to the COVID-19 pandemic which would unfavorably impact our results of operations. We may experience additional claims on our life and certain health insurance products due to the deferral of care and possible long-term health complications from COVID-19. In the second and third quarters of 2020, our margin on life insurance products reflects an estimated $14 million and $9 million, respectively, of adverse mortality impact related to COVID-19. We expect COVID-19 to continue to adversely impact our life insurance margin in future 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 have required 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 may be adversely affected as a result the COVID-19 pandemic and uncertainty regarding its outcome (specifically, the increased risk of defaults, downgrades, volatility in the valuations of certain investment assets we hold and lowered variable investment income and returns). Moreover, volatility in equity markets and sustained lower 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 may be negatively affected by delays or failures of borrowers to make payments of principal and interest when due or delays or moratoriums on foreclosures, enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities or the failure of tenants to pay rent or tenants' demands for lease modifications. 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. Refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Changes in Actuarial Assumptions in the Second Quarter of 2020" for further information related to changes in certain actuarial assumptions and their impact on our operating results in the second quarter of 2020. 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.

Potential continuation of a low interest rate environment for an extended period of time may negatively impact our results of operations, financial position and cash flows.

In recent periods, interest rates have been at or near historically low levels. Some of our products, principally traditional whole life, universal life, fixed rate and fixed index annuity contracts, expose us to the risk that low or declining interest rates will reduce our spread (the difference between the amounts that we are required to pay under the contracts and the investment income we are able to earn on the investments supporting our obligations under the contracts). Our spread is a key component of our net income. Investment income is also an important component of the profitability of our health products, especially long-term care and supplemental health policies. In addition, interest rates impact the liability for the benefits we provide under

our agent deferred compensation plan (as it is our policy to immediately recognize changes in assumptions used to determine this liability).

If interest rates were to decrease further or remain at low levels for an extended period of time, we may have to invest new cash flows or reinvest proceeds from investments that have matured or have been prepaid or sold at yields that have the effect of reducing our net investment income as well as the spread between interest earned on investments and interest credited to some of our products below present or planned levels. To the extent prepayment rates on fixed maturity investments or mortgage loans in our investment portfolio exceed our assumptions, this could increase the impact of this risk. We can lower crediting rates on certain products to offset the decrease in investment yield. However, our ability to lower these rates may be limited by: (i) contractually guaranteed minimum rates; or (ii) competition. In addition, a decrease in crediting rates may not match the timing or magnitude of changes in investment yields. Currently, the vast majority of our products with contractually guaranteed minimum rates have crediting rates set at the minimum rate. As a result, further decreases in investment yields would decrease the spread we earn and such spread could potentially become a loss.

The following table summarizes the distribution of annuity and universal life account values, net of amounts ceded, by guaranteed interest crediting rates as of December 31, 2019 (dollars in millions):

Guaranteed rate	Fixed index annuities	Fixed interest annuities	Universal life	Total
> 5.0% to 6.0%	$ —	$ .3	$ 9.4	$ 9.7
> 4.0% to 5.0%	—	27.0	263.9	290.9
> 3.0% to 4.0%	15.7	715.8	42.0	773.5
> 2.0% to 3.0%	703.6	819.2	229.3	1,752.1
> 1.0% to 2.0%	1,666.7	237.4	27.6	1,931.7
1.0% and under	4,749.2	423.5	453.2	5,625.9
	$ 7,135.2	$ 2,223.2	$ 1,025.4	$ 10,383.8
Weighted average	1.24 %	2.73 %	2.55 %	1.69 %

At December 31, 2019, $1.7 billion and $.3 billion of our fixed interest annuity and universal life account values, respectively, net of amounts ceded, were at minimum guaranteed crediting rates. The weighted average crediting rates at December 31, 2019, related to such annuity and universal life account values, that were at the minimum guaranteed crediting rate were 1.86 percent and 1.67 percent, respectively.

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. We are generally able to change the participation rate at the beginning of each index period (typically on each policy anniversary date), subject to contractual minimums. At December 31, 2019, $.7 billion of our fixed index annuity account values were at contractual minimum guarantees or participation rates.

During periods of declining or low interest rates, life and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency (a higher percentage of insurance policies remaining in force from year-to-year).

Our expectation of future investment income is an important consideration in determining the amortization of insurance acquisition costs and analyzing the recovery of these assets as well as determining the adequacy of our liabilities for insurance 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, thereby reducing net income in the future periods.

In the fourth quarter of 2019, we completed a comprehensive review of interest rate assumptions on all of our products which were updated to reflect the projected returns on our investment portfolio. The new money rate is the rate of return we receive on cash flows invested at a current date. If new money rates are lower than the overall weighted average return we earn from our investment portfolio, and the lower rates persist, our overall earned rates will decrease. Specifically, our current projections assume new money rates ranging from 3.65 percent to 4.85 percent for one year (previously ranged from 4.65

percent to 5.67 percent) and then grade over 5 years from these levels to an ultimate new money rate ranging from 4.98 percent to 5.75 percent (previously ranged from 5.23 percent to 6.00 percent), depending on the specific product.

In the second quarter of 2020, we updated our new money rate assumptions given our expectation that interest rates will remain low for the long-term. Specifically, our current projections assume new money rates ranging from 3.65 percent to 4.85 percent forever. The overall average new money rate assumed is 4 percent. The change in this assumption had the following impacts: (i) the change in the new money rate and related impact to persistency assumptions had a $45.6 million unfavorable impact on pre-tax earnings in the second quarter of 2020; (ii) the change in future option costs we incur in providing benefits on fixed index annuities had a favorable impact on pre-tax earnings of $91.5 million; and (iii) the future margins in our insurance block would be reduced by approximately $280 million ($120 million for interest-sensitive life and annuity products and $160 million for all non-interest sensitive products). Refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Changes in Actuarial Assumptions in the Second Quarter of 2020" for further information related to the change in assumptions in the second quarter of 2020.

The following hypothetical scenarios illustrate the sensitivity of changes in interest rates to our products (based on our 2019 comprehensive actuarial review):

- The first hypothetical scenario assumes immediate and permanent reductions to current interest rate spreads on interest-sensitive products. We estimate that a pre-tax charge of approximately $30 million would occur if we increased credited rates related to our interest-sensitive life and annuity products immediately and permanently by 10 basis points due to an increase in the rate credited to account values (or an equivalent increase to the amount allocated to the cost of options for our fixed index annuity products) with no change to assumed earned rates.

- The second scenario assumes that new money rates decrease approximately 100 basis points and remain at that level indefinitely on non-interest sensitive products. We estimate that this scenario would not result in a pre-tax charge but would reduce future margins on non-interest sensitive products by approximately $210 million.

- The third scenario assumes that new money rates decrease approximately 200 basis points and remain at that level indefinitely on non-interest sensitive products. We estimate that this scenario would not result in a pre-tax charge but would reduce future margins on non-interest sensitive products by approximately $420 million.

Although the hypothetical revisions described in the scenarios summarized above are not currently required or anticipated, we believe similar changes could occur based on past variances in experience and our expectations of the ranges of future experience that could reasonably occur. We have assumed that revisions to assumptions resulting in such adjustments would occur equally among policy types, ages and durations within each product classification. Any actual adjustment would be dependent on the specific policies affected and, therefore, may differ from such estimates. In addition, the impact of actual adjustments would reflect the net effect of all changes in assumptions during the period.

Sustained periods of low or declining interest rates may adversely affect our results of operations, financial position and cash flows.

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)
July 1 through July 31	377	$ 15.68	—	$ 419.3
August 1 through August 31	1,107,510	16.50	1,105,544	401.1
September 1 through September 30	1,898,588	16.79	1,891,286	369.3
Total	3,006,475	16.68	2,996,830	369.3

(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. 2020 Amended and Restated Pay For Performance Incentive Plan, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed August 12, 2020.
10.2	CNO Services, LLC Executive Severance Pay Plan.
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: November 6, 2020

By: /s/ John R. Kline

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

Exhibit 10.2

CNO SERVICES, LLC
EXECUTIVE SEVERANCE PAY PLAN

Restated Effective as of November 13, 2019

ARTICLE I.

PURPOSE AND TERM OF PLAN

1.1 **Purpose of the Plan**. The CNO Services, LLC Executive Severance Pay Plan (the "Plan"), as set forth herein, is sponsored by CNO Services, LLC ("Sponsor") and is intended to ease financial hardships which may be experienced by the eligible Employees of an Employer whose employment is terminated involuntarily other than for Just Cause. The Plan is not intended to be an "employee pension benefit plan" or "pension plan" as those terms are defined in Section 3(2) of ERISA. Rather, the Plan is intended to constitute the type of arrangement identified as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, as further elaborated by regulations promulgated by the Secretary of Labor at Title 29, Code of Federal Regulations, § 2510.3-2(b), which is subject to ERISA. No Employee shall have a vested right to such Benefits. The Benefits paid by the Plan are not intended to constitute deferred compensation and as such, it is intended that the Plan be exempt from Code Section 409A. It is further intended that any Benefit paid under the Plan be excluded from the benefit-generating or contribution-generating base of any tax-qualified or nonqualified deferred compensation plan or arrangement sponsored or maintained by Employer, unless the documents setting forth such plan or arrangement specifically state otherwise.

1.2 **Term of the Plan**. The Plan was effective August 6, 2019, (the "Effective Date"), and was subsequently restated effective November 13, 2019. The Plan will continue until Sponsor, acting in its sole discretion, elects to amend, modify, or terminate the Plan.

ARTICLE II.

DEFINITIONS

2.1 **"Actual Bonus"** means the amount payable under a Bonus Plan for any calendar year or portion thereof. Unless determined otherwise by the Employer, the Actual Bonus payable under the P4P Plan shall be based on (i) business results, (ii) Executive Leadership Group department performance and (iii) individual performance, in each case for the applicable time period.

2.2 **"Base Salary"** means the current base salary or wages paid to a Participant, on a monthly basis, as of the Employee's Employment Termination Date. Base Salary shall not include performance, incentive or other bonuses; commissions; Employer contributions to Social Security; benefits payable under, or Employer contributions to, any retirement or other plan of deferred compensation; or the value of any fringe benefits provided by Employer.

2.3 **"Benefit"** means the amount that a Participant is entitled to receive pursuant to Section 4.1 of the Plan.

2.4 **"Bonus Plan"** means the P4P Plan or any other bonus plan in which the Participant is eligible to participate.

2.5 **"CNO"** means CNO Financial Group, Inc.

2.6 **“Code”** means the Internal Revenue Code of 1986, as amended.

2.7 **“Control Group Employer”** means the Sponsor and any other entity that is under common control of CNO within the meaning of section 1563 (a) of the Internal Revenue Service Code of 1986 as amended (the “Code”).

2.8 **“Control Termination”** means any termination by the Employer (or its successor) of Employee’s employment for any reason, or by Employee With Reason, within six months in anticipation of or within two years following a Change in Control.

The term "Change in Control" shall mean the occurrence of any of the following:

(i) the acquisition (other than an acquisition in connection with a “Non-Control Transaction”) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of "beneficial ownership" (as such term is defined in Rule 13d-3 promulgated under the 1934 Act), directly or indirectly, of securities of CNO or its Ultimate Parent representing 51% or more of the combined voting power of the then outstanding securities of CNO or its Ultimate Parent entitled to vote generally with respect to the election of the Board of Directors of CNO or the board of directors of CNO’s 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 CNO (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 CNO; or

(iii) the consummation of a merger, consolidation or reorganization with or into CNO unless (x) the stockholders of CNO 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 CNO (or its successor) or, if applicable, the Ultimate Parent and (y) individual board members of CNO (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 CNO (or its successor) or, if applicable, the Ultimate Parent (a transaction to which clauses (x) and (y) apply, a “Non-Control Transaction”).

For purposes of this Plan, “Ultimate Parent” shall mean 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 CNO (or its successor).

2.9 **“Employee”** means an individual eligible to participate in the Plan in accordance with Section 3.1.

2.10 **“Employer”** means the Sponsor and any Control Group Employer that adopts the Plan with the written approval of the Plan Administrator. A Control Group Employer shall be deemed to be an Employer only during the period subsequent to the Effective Date specified in such written approval and prior to any revocation by the Plan Administrator of such written approval.

2.11 **“Employment Termination Date”** means the date on which the employment relationship between the Employee and Employer is involuntarily terminated and the Employee experiences a “separation from service” as such term is defined under Code Section 409A. In no event shall an Employee be considered to have involuntarily terminated his or her employment or to have experienced an Employment Termination Date for the purposes of the Plan if his or her employment with Employer is terminated due to (a) Employee’s voluntary cessation of employment (with or without notice); (b) Employee’s death or Disability (as such term is defined under Code Section 409A); or (c) Just Cause.

2.12 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

2.13 **“Just Cause”** means

(a) (i) a material breach of Employee’s duty of loyalty to the Employer or its affiliates not cured within 15 days after written notice to Employee by the Employer, or (ii) willful malfeasance or fraud or dishonesty of a substantial nature in performing Employee’s services on behalf of the Employer or its affiliates, which in each case is willful and deliberate on Employee’s part and committed in bad faith or without reasonable belief that such breach or action is in the best interests of the Employer or its affiliates;

(b) Employee’s use of alcohol or drugs (other than drugs prescribed to Employee by a physician and used by Employee for their intended purposes for which they had been prescribed) or other repeated conduct which materially and repeatedly interferes with the performance of Employee’s duties hereunder, which materially compromises the integrity or the reputation of the Employer or its affiliates, or which results in other substantial economic harm to the Employer or its affiliates;

(c) Employee’s conviction by a court of law, admission that Employee is guilty, or entry of a plea of *nolo contendere* with regard to a felony or other crime involving moral turpitude;

(d) Employee’s unscheduled absence from Employee’s employment duties other than as a result of illness or disability, for whatever cause, for a period of more than three (3) consecutive days, without consent from the Employer prior to the expiration of the three (3) day period;

(e) Employee’s failure to take action or to abstain from taking action, as directed in writing by a member of the Board of Directors of CNO or a higher ranking Employee of the Sponsor or CNO, where such failure continues after Employee has been given written notice of such failure and at least five (5) business days thereafter to cure such failure; or

(f) Any intentional wrongful act or omission by Employee that results in the restatement of CNO's financial statements due to a violation of the Sarbanes-Oxley Act of 2002.

No termination shall be deemed to be a termination by the Employer for Just Cause if the termination is as a result of Employee refusing to act in a manner that Employee believes in good faith would be a violation of applicable law or where Employee acts (or refrains from taking action) in good faith in accordance with directions of a member of the Board of Directors of CNO or higher-ranking executive but was unable to attain the desired results because such results were inherently unreasonable or unattainable.

2.14 **"Manager"** means the member/manager of CNO Services, LLC.

2.15 **"Named Fiduciary"** means Employer and the Plan Administrator. Each Named Fiduciary shall have only those particular powers, duties, responsibilities and obligations as are specifically given such Named Fiduciary under the Plan. Any Named Fiduciary, if so appointed, may perform in more than one fiduciary capacity.

2.16 **"Officer"** means an employee with a position of Vice President or higher with an Employer.

2.17 **"P4P Plan"** means the CNO Pay for Performance Incentive Plan, as amended from time to time.

2.18 **"Participant"** means any of the individuals described in Section 3.1.

2.19 **"Plan"** means the CNO Services, LLC Executive Severance Pay Plan.

2.20 **"Plan Administrator"** means a committee or individual designated by the Sponsor to serve as the Plan Administrator and, in the absence of such designation, means the Sponsor.

2.21 **"Plan Year"** means the period commencing each January 1 and ending on the following December 31, provided the first Plan Year shall be a short plan year commencing on the Effective Date and ending on December 31, 2019.

2.22 **"Separation Agreement"** has such meaning as is set forth in Section 3.3.

2.23 **"Sponsor"** means CNO Services, LLC. The term "Sponsor" shall also include any successor to CNO Services, LLC if such successor adopts the Plan.

2.24 **"Spouse**" means a person of the opposite sex or a person of the same sex legally married to the Employee in any of the fifty (50) States, the District of Columbia, U.S. Territories, and/or in a foreign country, unless: (1) the Employee and his or her Spouse are divorced, or (2) the Employee and his or her Spouse are legally separated under a decree of divorce or separate maintenance. The term "Spouse" shall not apply to an individual who has entered into a domestic partnership, civil union, or other similar formal relationship with an Employee that is not denominated as a marriage if the individual is not otherwise married to the Employee as described in the preceding sentence.

2.25 **“Target Bonus”** means the amount calculated by multiplying the annual actual base salary earnings for a Participant by the applicable percentage as determined by the Plan Administrator.

2.26 “**Terminated Employee”** means a former Employee who has experienced an involuntary termination of employment within the meaning of Section 2.11.

2.27 **“With Reason”** means an Employee’s separation from service with the Employee’s Employer as a result of either (a) a material reduction in Employee’s Base Salary or Target Bonus without Employee’s consent, or (b) a "Change in Control" as defined under the definition of Control Termination and, following Employee’s written request made prior to the Change in Control, the ultimate parent entity or entities directly or indirectly gaining control of a majority of the Board of Directors of CNO or outstanding securities entitled to vote with respect to the Board of Directors of CNO fails to affirm and guarantee the Employer’s current and future obligations under this Plan; provided that the events described in clauses (a) and (b) above shall constitute With Reason only if the Employer fails to cure such event (if capable of being cured) within 30 days after receipt from Employee of written notice of the event which constitutes With Reason; provided, further, that With Reason shall cease to exist for an event on the 60th day following the later of its occurrence or Employee’s knowledge thereof, unless Employee has given the Employer written notice thereof prior to such date. An Employee’s termination of employment with the Employee’s Employer With Reason shall be deemed an involuntary termination under the Plan.

ARTICLE III.

PARTICIPATION AND ELIGIBILITY FOR BENEFITS

3.1 **Plan Participants**. Employees of an Employer who are Officers of the Employer and report directly to the Chief Executive Officer of CNO shall be eligible to participate in the Plan and to receive Benefits under the Plan, provided that they meet all the requirements stated herein, as determined by the Plan Administrator on a case-by-case basis and, further provided, that the individual has not already satisfied and, as of the individual’s Employment Termination Date, will not satisfy the conditions in order to receive severance benefits under any other arrangement or agreement executed between the Employee and Employer (with the exception of arrangements or agreements under the CNO Amended and Restated Long-Term Incentive Plan, as the same may be amended from time to time, or any other equity plan which may be adopted by CNO).

Sponsor reserves the right, in its discretion, to cover any additional positions or individuals under the Plan, under whatever terms and conditions that Sponsor shall elect.

3.2 **General Benefits Award Requirement**. A Terminated Employee shall be eligible to receive a Benefit under the Plan only upon an involuntary termination employment by Employer as provided in Section 2.11.

3.3 **Execution of a Separation Agreement**. In order to be eligible to receive the Benefit under the Plan, the Participant must execute a separation agreement in such form and

containing such terms as shall be required by the Plan Administrator from time to time, in its sole and absolute discretion, which terms shall include a waiver and release of claims and non-disclosure and non-solicitation provisions (the "Separation Agreement").

ARTICLE IV.

CALCULATION OF SEVERANCE BENEFIT

4.1 **Amount of Benefit**. A Terminated Employee who has satisfied the requirements of Article 3 shall be entitled to receive the following benefits, as determined by the Plan Administrator:

(a) Severance Benefit Amount. A Terminated Employee shall receive a Severance Benefit Amount as follows:

(i) *Termination by the Employer without Just Cause (other than in a Control Termination) or by the Employee With Reason (other than in a Control Termination)*: a cash lump sum amount equal to 1.5 times the sum of (A) the Employee's Base Salary and (B) the Employee's Target Bonus, each as in effect as of the Employee's Employment Termination Date.

(ii) *Termination by the Employer in a Control Termination or by the Employee With Reason in a Control Termination*: a cash lump sum amount equal to two times the sum of (A) the Employee's Base Salary and (B) the Employee's Target Bonus, each as in effect as of the Employee's Employment Termination Date.

(b) Actual Bonus. In addition to the amount set forth in Section 4.1(a), the Terminated Employee shall receive a pro-rated payment of the Terminated Employee's Actual Bonus for the calendar year in which the Employee's Employment Termination Date occurs, with such amount to be paid at such time that Actual Bonus payments are made to other Employer executives but in no event later than March 15 of the calendar year following the calendar year with respect to which such Actual Bonuses were payable, unless the Actual Bonus amounts to be paid cannot be confirmed and paid on or before March 15, in which event the Actual Bonuses will be paid within 15 days after the Actual Bonus amounts have been confirmed by the Employer and, in any event, within the calendar year that contains such March 15 date.

(c) COBRA Benefits. For each Terminated Employee whose Employment Termination Date is on or after November 13, 2019, who is eligible for continuation benefits under the Employer's medical, dental, vision, On-Site Clinic, EAP and/or Health Care FSA as a result of being entitled to elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), hereinafter referred to as "COBRA Coverages," and the Terminated Employee elects to continue COBRA Coverage, the Terminated Employee's Employer will subsidize the cost of such COBRA Coverage for eighteen (18) months, by paying directly to the carrier/ administrator an amount equal to the Employer's portion of the premium for such COBRA Coverage as was in effect immediately prior to the Terminated Employee's

Employment Termination Date on a monthly basis in accordance with the Employer's usual schedule for remitting payment, which subsidized COBRA Coverage premium payment will be treated as taxable compensation to the Terminated Employee, and will be subject to all applicable federal, state, local and other taxes, including any gross-up amount to be paid by the Employer for such taxes, in accordance with the Employer's normal payroll schedule and procedures.

(d) Outplacement Assistance. Employer shall provide to the Terminated Employee outplacement assistance for up to twelve (12) months following the Employee's Employment Termination Date through an outplacement assistance firm selected by Sponsor, in its sole discretion. Employer shall pay the costs of such assistance directly to the outplacement assistance firm, such costs not to exceed $25,000.

(e) Financial Planning/Tax Preparation Assistance. Employer shall pay to the Terminated Employee a single lump sum payment equal to the Employer portion of an additional six months of service for financial planning/tax preparation assistance expenses in the calendar year in which the termination of employment occurs, such cost not to exceed $10,000. The Terminated Employee may, but is not required to, use this payment for financial planning/tax preparation assistance.

(f) Tax Treatment. Terminated Employees shall pay (and Employer shall be permitted to withhold) any and all federal, state and local taxes, if any, that are required by law to be paid with respect to the Benefits received.

4.2 **Reductions**. Except with regard to COBRA Coverage under Section 4.1(c), all other Benefits payable hereunder shall be reduced by any and all payments required to be made by Employer for taxes or otherwise under federal, state and local law.

4.3 **Effect on At-Will Employment Relationship and on Other Benefits**. Neither the Plan, nor any of its provisions, alters the at-will employment relationship between Employee and Employer. In addition, there shall not be drawn from the continued provision by Employer of any Benefit hereunder any implication of continued employment or of any continued right to accrue vacation days, paid holidays, paid sick days or other similar benefits normally associated with employment for any part of the period during or in respect of which a Benefit is payable under the Plan.

4.4 **Benefits as Consideration for Waivers, Covenants and Releases**. The Benefit provided hereunder, where applicable, shall constitute consideration for the release that a Terminated Employee is required to provide to Employer relating to prior employment by Employer. The Benefit provided hereunder, where applicable, shall also constitute consideration for any waiver by the Terminated Employee, whether full or partial, and whether absolute or conditional, of any rights, claims, entitlement to relief or damages, or entitlement to seek imposition upon Employer of penalties, in connection with any contract, express or implied, or under any statute, regulation, rule, order, or similar promulgation by a governmental or quasi-governmental entity. In addition, the Benefit provided hereunder, where applicable, shall constitute consideration for any covenants or agreements contained in the Separation Agreement executed by the Terminated Employee in connection with this Plan.

ARTICLE V.

METHOD AND DURATION OF BENEFIT PAYMENTS

5.1 **Method of Payment**. Except as otherwise provided in Article 4, a Participant's Benefits shall be paid in the form of a single lump sum payment as soon as practicable after both (a) the Participant's Employment Termination Date and (b) the date the Separation Agreement referenced in Section 3.3 becomes effective (as described below), but in no event beyond thirty (30) days from such date; provided, if any such Benefits constitute deferred compensation under Code Section 409A and are payable within a period that spans two calendar years, such Benefits shall be paid in the later calendar year; provided further that, if the Terminated Employee is deemed on the Employee's Employment Termination Date to be a "specified employee" within the meaning of Section 409A(a)(2)(B) of the Code, any such Benefits that constitute deferred compensation under Code Section 409A and would otherwise be payable prior to the earlier of (i) the 6-month anniversary of the Employee's Employment Termination Date and (ii) the date of the Employee's death (the "Delay Period") shall instead be paid in a lump sum immediately upon (and not before) the expiration of the Delay Period. For purposes herein, a Participant's Separation Agreement shall not become effective unless and until the Participant timely executes the Separation Agreement on or before the date set forth in such agreement and does not subsequently timely revoke the Separation Agreement under applicable law.

5.2 **Cessation of Benefit Payments**. A Participant shall cease to participate in the Plan, and all Benefit payments shall cease, upon the occurrence of the earliest of:

(a) Completion of the payment to the Participant of the entitled Benefit under Section 4.1; or

(b) The violation by the Terminated Employee of any of the provisions of this Plan or of any provisions contained in the Separation Agreement executed by the Terminated Employee.

5.3 **Death of A Participant**. In the event a Participant dies after executing the Separation Agreement described in Section 3.3, but before receiving all Benefit payments as provided under Section 4.1(a), the remaining Benefit payments as provided under Section 4.1(a) will be made to the Participant's surviving Spouse. If the Participant has no surviving Spouse at his or her death, payments will be made to the Participant's estate.

ARTICLE VI.

THE PLAN ADMINISTRATOR

6.1 **Authority and Duties**. It shall be the duty of the Plan Administrator, on the basis of information supplied to it by Sponsor, to determine the eligibility of each Terminated Employee to participate in the Plan, to calculate the Benefit to be paid to each Terminated Employee who has been selected by Sponsor to receive a severance pay award and to determine the manner and time of payment of the Benefit. Employer shall make such payments as are certified to it by the Plan Administrator to be due to Participants.

The Plan Administrator shall have the full discretionary power and authority to construe, interpret and administer the Plan, to make Benefit eligibility determinations, to correct deficiencies in the Plan, and to supply omissions. All decisions, actions and interpretations of the Plan Administrator shall be final, binding and conclusive upon the parties, subject only to determinations by individuals appointed by the Manager to review denied claims for Benefits.

6.2 **Records, Reporting and Disclosure**. The Plan Administrator shall keep all individual and group records relating to Participants and all other records necessary for the proper operation of the Plan. Such records shall be made available to Employer and to each Participant for examination during business hours, except that a Participant shall examine only such records as pertain exclusively to the examining Participant and to the Plan. The Plan Administrator shall prepare and shall file as required by law or regulation all reports, forms, documents and other items required by ERISA, the Code, and every other relevant statute, each as amended, and all regulations thereunder (except that Employer, as payor of the Benefits, shall prepare and distribute to the proper recipients all forms relating to withholding of income or wage taxes, Social Security contributions, and other amounts which may be similarly reportable).

ARTICLE VII.

AMENDMENT AND TERMINATION

7.1 **Amendment, Modification or Termination**. The Manager retains the right, at any time and from time to time, to amend, modify or terminate the Plan, including amendment or modification of any Appendices hereto, in whole or in part, for any reason, and without either the consent of or the prior notification to any Participant. Any such amendment may not cause the cessation and discontinuance of payments of a Benefit to any person or persons under the Plan. The Manager shall have the right to delegate its authority and power hereunder, or any portion thereof, to any committee of the Manager, and the right to rescind any such delegation in whole or in part.

7.2 **Adoption of Plan**. Any Control Group Employer may adopt the Plan and become a participating Employer by filing a certified copy of a resolution of the governing body of the Control Group Employer with the Plan Administrator, and obtaining written consent by the Plan Administrator by a written document signed by an officer of the Sponsor which indicates the Plan Administrator's consent to that action.

ARTICLE VIII.

DUTIES OF EMPLOYER

8.1 **Records**. Employer shall supply to the Plan Administrator all records and information necessary to the performance of the Plan Administrator's duties.

8.2 **Payment**. Employer shall make payments from its general assets to Participants formerly in its employ in accordance with the terms of the Plan, as directed by the Plan Administrator.

ARTICLE IX.

CLAIMS PROCEDURES

9.1 **General**. Subject to Section 9.2 below, all questions arising in connection with the interpretation of the Plan or its administration or operation shall be submitted to and settled and determined by the Plan Administrator in accordance with the rules and procedures it establishes for the Plan from time to time. Any such settlement and determination shall be final and conclusive, may be relied upon by, and shall bind, the Sponsor, each of the Employers, each of the Employees and all other parties in interest. Consequently, benefits under this Plan shall be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In exercising the discretion expressly vested in it under the Plan, the Plan Administrator shall act only in accordance with nondiscriminatory rules of uniform application to similarly situated employees. An Employee's disability status shall not be determined by the Plan Administrator under the Plan, but instead an Employee shall be deemed to be disabled hereunder if the Employee has been determined to be disabled by the Social Security Administration or under the Sponsor's long-term disability plan.

9.2 **Claims for Benefits**. In the event of a claim by an Employee concerning eligibility for Benefits hereunder or the amount of any distribution or its method of payment, such Employee shall present the reason for his or her claim in writing to a Human Resources Officer of the Plan Administrator together with all supporting materials. The Plan Administrator shall, within sixty (60) days after receipt of such written claim, send a written notification to the Employee as to its disposition by certified mail. In the event the claim is wholly or partially denied, such written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Employee to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the Employee may appeal the denial of his or her claim. In the event an Employee wishes to appeal the denial of his or her claim, he or she may request a review of such denial by making application in writing to a Human Resources Officer of the Plan Administrator within sixty (60) days after receipt of such denial. Such Employee (or his or her duly authorized legal representative) may upon written request to the Plan Administrator review any documents pertinent to his or her claim, and submit in writing, issues and comments in support of his or her position. Within sixty (60) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Plan Administrator shall notify the Employee of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and contain specific references to the pertinent Plan provision on which the decision is based.

9.3 **Statute of Limitations**. No action at law or in equity shall be brought by or on behalf of any Employee to recover from the Plan prior to the exhaustion of all administrative remedies provided herein and in any event no action shall be brought unless brought within the earlier of the applicable statute of limitations or three (3) years from the Employee's Employment Termination Date. By virtue of participation in this Plan, the Employee agrees that

the standard for reviewing any denial of a claim or for recovery from the Plan will be whether the denial of a claim was made in an arbitrary or capricious manner.

ARTICLE X.

MISCELLANEOUS

10.1 **Nonalienation of Benefits**.

(a) Except as provided in Subsection (b) of this Section 10.1, none of the payments, Benefits or rights of any Participant shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, Benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any Benefit or any of the payments which he or she may expect to receive, contingently or otherwise, under the Plan.

(b) Notwithstanding the provisions of Subsection (a) of this Section, any Benefit hereunder shall be subject to (1) offset by any claims of Employer against the Participant; (2) tax liens imposed thereon; and (3) the terms of any valid court order attaching thereto.

10.2 **Severability of Provisions**. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

10.3 **Heirs, Assigns, and Personal Representatives**. The Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future (except that no successor to an Employer shall be considered a Plan Employer unless that successor adopts the Plan).

10.4 **Headings and Captions**. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

10.5 **Gender and Number**. Except where clearly indicated otherwise by context, the masculine form of any word shall include the feminine and the neuter, the feminine form shall include the masculine and the neuter, the singular form shall include the plural, and the plural form shall include the singular.

10.6 **Unfunded Plan**. The Plan shall not be funded. No Participant shall have any right to, or interest in, any assets of Employer which may be applied to the payment of a Benefit hereunder.

10.7 **Appendices**. From time to time, Employer may elect to append provisions of limited duration to the Plan to govern what Sponsor determines to be special circumstances governing a substantial number of Employees. Each such Appendix, during the period stipulated therein, shall be deemed a part of the Plan. Except as otherwise stated in any such Appendix applicable to any Employee or Terminated Employee, the rights of such Employee or

Terminated Employee as stated in such Appendix shall supersede the rights provided under the Plan, the Benefit provided under such Appendix shall be in lieu of comparable or stipulated Benefits provided under the Plan, and there shall be no duplication of Benefits.

10.8 **Lost Payees**. A Benefit shall be deemed forfeited if the Plan Administrator is unable to locate a Participant to whom a Benefit is otherwise due.

10.9 **Controlling Law**. The Plan shall be construed and enforced according to federal law. In the absence of applicable federal law as to any issue, such issue shall be resolved in accordance with the laws of the State of Indiana.

10.10 **Compliance with Code Section 409A**. This Plan is intended to be exempt from or comply with Code Section 409A and will be interpreted accordingly. Notwithstanding anything herein to the contrary, (i) if at the time of an Employee's Employment Termination Date the Employee is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of the Employee's termination of employment is necessary in order to prevent any accelerated or additional tax under Code Section 409A, then the Employer will defer the commencement of the payment as described in Section 5.1, and (ii) if any other payments of money or other benefits due to the Employee hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Employer, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to the Employee under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid to the Employee in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment, including each installment payment, made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. As such, and to the extent applicable and permissible under Section 409A of the Code, each such "separate payment" shall be made in a manner so as to satisfy Section 409A of the Code and Treasury Regulations promulgated thereunder, including the provisions which exempt certain compensation from Section 409A, including but not limited to Treasury Regulations Section 1.409A-1(b)(4) regarding payments made within the applicable 2 ½ month period and Section 1.409A-1(b)(9)(iii) regarding payments made only upon an involuntary separation from service. The Employer shall consult with the Employee in good faith regarding the implementation of the provisions of this paragraph; provided that neither the Employer, nor any of its employees or representatives shall have any liability to the Employee with respect thereto.

10.11 **Effect of Excise Tax and Limit on Golden Parachute Payments**.

(a) *Contingent Reduction of Parachute Payments*. If there is a change in ownership or control of CNO that would cause any payment or distribution by the Sponsor or any of its subsidiaries or any other person or entity to Employee or for Employee's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (each, a "Payment", and collectively, the "Payments") to be subject to the excise

tax imposed by Section 4999 of the Code (such excise tax, together with any interest or penalties incurred by Employee with respect to such excise tax, the "Excise Tax"), then Employee will receive the greatest of the following, whichever gives Employee the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (1) the Payments or (2) one dollar less than the amount of the Payments that would subject Employee to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount, then the reduction will be determined in a manner which has the least economic cost to Employee and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to Employee, until the reduction is achieved. Any reductions pursuant to this Section shall be made in a manner intended to be consistent with the requirements of Section 409A of the Code.

(b) *Determination of the Payments*. All determinations required to be made under this Section, including whether and when the Safe Harbor Amount is required and the amount of the reduction of the Payments and the assumptions to be utilized in arriving at such determination, shall be made by the Employer which shall provide detailed supporting calculations to Employee. Employee shall cooperate with any reasonable requests by the Employer in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax.

(c) *Adjustments*. As a result of the uncertainty in the application of Section 4999 of the Code at the time of a determination hereunder, it is possible that Payments will be made which should not have been made under clause (a) of this Section ("Overpayment") or that additional Payments which are not made pursuant to clause (a) of this Section should have been made ("Underpayment"). In the event that there is a final determination by the Internal Revenue Service, or a final determination by a court of competent jurisdiction, that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to Employee which Employee shall repay to the Employer together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that there is a final determination by the Internal Revenue Service, a final determination by a court of competent jurisdiction or a change in the provisions of the Code or regulations pursuant to which an Underpayment arises under this Plan, any such Underpayment shall be promptly paid by the Employer to or for the benefit of Employee, together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan effective November 13, 2019, CNO Services, LLC has caused the same to be executed the thirteenth day of November, 2019.

CNO SERVICES, LLC

By: /s/ Yvonne K. Franzese
Yvonne K. Franzese

Its: Chief Human Resources Officer

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: November 6, 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: November 6, 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 September 30, 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

November 6, 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 September 30, 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

November 6, 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.