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

Form 10-Q

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

For the quarterly period ended March 31, 2021

☐ 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 E Junior Participating Preferred Stock		New York Stock Exchange
5.125% Subordinated Debentures due 2060	CNOpA	New York Stock Exchange

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

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

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

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

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

Shares of common stock outstanding as of April 22, 2021: 131,567,271

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

ASSETS

	March 31, 2021	December 31, 2020
Investments:		
Fixed maturities, available for sale, at fair value (net of allowance for credit losses: March 31, 2021 - $5.3 and December 31, 2020 - $2.2; amortized cost: March 31, 2021 - $20,351.6 and December 31, 2020 - $19,921.1)	$ 22,610.4	$ 23,383.6
Equity securities at fair value	164.4	151.2
Mortgage loans (net of allowance for credit losses: March 31, 2021 - $8.8 and December 31, 2020 - $11.8)	1,297.7	1,358.7
Policy loans	121.0	123.0
Trading securities	242.6	232.0
Investments held by variable interest entities (net of allowance for credit losses: March 31, 2021 - $5.4 and December 31, 2020 - $15.1; amortized cost: March 31, 2021 - $1,234.3 and December 31, 2020 - $1,211.3)	1,224.0	1,189.4
Other invested assets	1,195.1	1,146.4
Total investments	26,855.2	27,584.3
Cash and cash equivalents - unrestricted	662.9	937.8
Cash and cash equivalents held by variable interest entities	76.0	54.1
Accrued investment income	216.8	205.8
Present value of future profits	241.3	249.4
Deferred acquisition costs	1,168.4	1,027.8
Reinsurance receivables (net of allowance for credit losses: March 31, 2021 - $4.0 and December 31, 2020 - $4.0)	4,509.3	4,584.3
Income tax assets, net	358.2	199.4
Assets held in separate accounts	4.3	4.2
Other assets	567.1	492.8
Total assets	$ 34,659.5	$ 35,339.9

(continued on next page)

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2021	December 31, 2020
Liabilities:		
Liabilities for insurance products:		
Policyholder account liabilities	$ 12,571.3	$ 12,540.6
Future policy benefits	11,546.6	11,744.2
Liability for policy and contract claims	558.7	561.8
Unearned and advanced premiums	262.4	252.6
Liabilities related to separate accounts	4.3	4.2
Other liabilities	925.2	821.8
Investment borrowings	1,642.0	1,642.5
Borrowings related to variable interest entities	1,151.7	1,151.8
Notes payable – direct corporate obligations	1,136.6	1,136.2
Total liabilities	29,798.8	29,855.7
Commitments and Contingencies		
Shareholders' equity:		
Common stock ($0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: March 31, 2021 – 132,268,255; December 31, 2020 – 135,279,119)	1.3	1.3
Additional paid-in capital	2,457.8	2,544.5
Accumulated other comprehensive income	1,518.1	2,186.1
Retained earnings	883.5	752.3
Total shareholders' equity	4,860.7	5,484.2
Total liabilities and shareholders' equity	$ 34,659.5	$ 35,339.9

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

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues:		
Insurance policy income	$ 632.4	$ 628.7
Net investment income:		
General account assets	282.7	280.3
Policyholder and other special-purpose portfolios	55.5	(110.7)
Realized investment gains (losses):		
Net realized investment gains (losses)	(12.4)	(60.1)
Change in allowance for credit losses and other-than-temporary impairment losses	9.6	(55.4)
Total realized gains (losses)	(2.8)	(115.5)
Fee revenue and other income	38.2	34.4
Total revenues	1,006.0	717.2
Benefits and expenses:		
Insurance policy benefits	459.1	490.8
Interest expense	24.1	33.4
Amortization	99.7	50.2
Other operating costs and expenses	233.1	213.8
Total benefits and expenses	816.0	788.2
Income (loss) before income taxes	190.0	(71.0)
Income tax expense (benefit):		
Tax expense (benefit) on period income	42.6	(15.8)
Valuation allowance for deferred tax assets and other tax items	—	(34.0)
Net income (loss)	$ 147.4	$ (21.2)
Earnings per common share:		
Basic:		
Weighted average shares outstanding	134,140,000	145,829,000
Net income (loss)	$ 1.10	$ (.15)
Diluted:		
Weighted average shares outstanding	136,653,000	145,829,000
Net income (loss)	$ 1.08	$ (.15)

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

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

	Three months ended March 31,	
	2021	2020
Net income (loss)	$ 147.4	$ (21.2)
Other comprehensive income, before tax:		
Unrealized losses on investments	(1,198.2)	(1,325.4)
Adjustment to present value of future profits and deferred acquisition costs	83.6	136.3
Amount related to premium deficiencies assuming the net unrealized gains had been realized	262.5	135.5
Reclassification adjustments:		
For net realized investment (gains) losses included in net income (loss)	(.5)	65.6
For amortization of the present value of future profits and deferred acquisition costs related to net realized investment (gains) losses included in net income (loss)	—	(3.4)
Other comprehensive loss before tax	(852.6)	(991.4)
Income tax benefit related to items of accumulated other comprehensive income	184.6	214.1
Other comprehensive loss, net of tax	(668.0)	(777.3)
Comprehensive loss	$ (520.6)	$ (798.5)

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

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

	Common stock		Additional paid-in	Accumulated other comprehensive	Retained	
	Shares	Amount	capital	income	earnings	Total
Balance, December 31, 2019	148,084	$ 1.5	$ 2,767.3	$ 1,372.5	$ 535.7	$ 4,677.0
Cumulative effect of accounting change	—	—	—	—	(17.8)	(17.8)
Balance, January 1, 2020	148,084	$ 1.5	$ 2,767.3	$ 1,372.5	$ 517.9	$ 4,659.2
Net loss	—	—	—	—	(21.2)	(21.2)
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of $214.1)	—	—	—	(777.3)	—	(777.3)
Common stock repurchased	(5,083)	(.1)	(82.9)	—	—	(83.0)
Dividends on common stock	—	—	—	—	(16.0)	(16.0)
Employee benefit plans, net of shares used to pay tax withholdings	609	—	4.1	—	—	4.1
Balance, March 31, 2020	143,610	$ 1.4	$ 2,688.5	$ 595.2	$ 480.7	$ 3,765.8
Balance, December 31, 2020	135,279	$ 1.3	$ 2,544.5	$ 2,186.1	$ 752.3	$ 5,484.2
Net income	—	—	—	—	147.4	147.4
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of $184.6)	—	—	—	(668.0)	—	(668.0)
Common stock repurchased	(4,109)	—	(100.0)	—	—	(100.0)
Dividends on common stock	—	—	—	—	(16.2)	(16.2)
Employee benefit plans, net of shares used to pay tax withholdings	1,098	—	13.3	—	—	13.3
Balance, March 31, 2021	132,268	$ 1.3	$ 2,457.8	$ 1,518.1	$ 883.5	$ 4,860.7

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

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows from operating activities:		
Insurance policy income	$ 598.9	$ 575.3
Net investment income	251.1	285.7
Fee revenue and other income	38.2	34.4
Insurance policy benefits	(427.2)	(429.2)
Interest expense	(10.5)	(20.3)
Deferrable policy acquisition costs	(70.7)	(68.2)
Other operating costs	(273.7)	(250.1)
Income taxes	(16.7)	(1.9)
Net cash from operating activities	89.4	125.7
Cash flows from investing activities:		
Sales of investments	509.2	417.9
Maturities and redemptions of investments	754.9	595.7
Purchases of investments	(1,530.3)	(1,178.2)
Net purchases of trading securities	(14.2)	(6.3)
Other	(53.6)	(7.3)
Net cash used by investing activities	(334.0)	(178.2)
Cash flows from financing activities:		
Issuance of common stock	12.4	2.7
Payments to repurchase common stock	(102.7)	(88.0)
Common stock dividends paid	(16.3)	(16.2)
Amounts received for deposit products	444.9	404.8
Withdrawals from deposit products	(345.7)	(354.0)
Issuance of investment borrowings:		
Federal Home Loan Bank	200.0	—
Payments on investment borrowings:		
Federal Home Loan Bank	(200.5)	(.5)
Related to variable interest entities	(.5)	(.5)
Net cash used by financing activities	(8.4)	(51.7)
Net decrease in cash and cash equivalents	(253.0)	(104.2)
Cash and cash equivalents - unrestricted and held by variable interest entities, beginning of period	991.9	654.7
Cash and cash equivalents - unrestricted and held by variable interest entities, end of period	$ 738.9	$ 550.5

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 2020 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 exclusive 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 2021 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. 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, 2020, 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), allowance for credit losses and 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.

In February 2021, we acquired DirectPath, LLC ("DirectPath"), a leading national provider of year-round, technology-driven employee benefits management services to employers and employees. DirectPath provides personalized benefits education, advocacy and transparency, and communications compliance services that help employers reduce healthcare costs and assist employees with making informed benefits decisions. The purchase price was approximately $50 million with an additional earn-out if certain financial targets are achieved. The transaction was funded from holding company cash. The amount paid, net of cash held by DirectPath on the date of acquisition, was $47.4 million and is classified as other investing activities on the consolidated statement of cash flows. The net assets acquired totaled $56 million and were primarily comprised of goodwill and other intangible assets of approximately $50 million. The tangible assets acquired and liabilities assumed were recorded at their carrying values which approximated fair value. The intangible assets were recorded at fair value based on various assumptions determined by the Company to be reasonable at the date of acquisition including long-term growth rate, normalized net working capital, internal rate of return, economic life and discount rate. In addition, we recognized advisory and legal expenses of $3 million in connection with the acquisition (of which, $2.5 million was recognized in the first quarter of 2021). The business of DirectPath is included in our fee income segment.

DirectPath's education services engage and enroll employees in worksite benefits plans through face-to-face, virtual and telephonic enrollment. The Company’s advocacy and transparency services help employees select cost-effective medical providers and resolve claims issues, while enabling employers to reduce administrative and healthcare costs. Its communications compliance services manage governance and regulatory communications for corporate benefits plans. DirectPath operates direct nationwide and serves 400 employers with a covered employee base of more than 2.5 million people. DirectPath's clients range in size from small- and medium-sized businesses to Fortune 100 companies.

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; and (ii) 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 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).

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. The credit loss component is recorded as an allowance and reported 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 (losses) 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 March 31, 2021 and December 31, 2020, were as follows (dollars in millions):

	March 31, 2021	December 31, 2020
Net unrealized gains on investments having no allowance for credit losses	$ 2,270.1	$ 3,466.3
Unrealized losses on investments with an allowance for credit losses	(12.5)	(10.0)
Adjustment to present value of future profits (a)	(9.7)	(10.2)
Adjustment to deferred acquisition costs	(296.9)	(458.0)
Adjustment to insurance liabilities	(13.0)	(197.5)
Deferred income tax liabilities	(419.9)	(604.5)
Accumulated other comprehensive income	$ 1,518.1	$ 2,186.1

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

At March 31, 2021, adjustments to the present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included $(8.3) million, $(55.7) million, $(13.0) million and $16.7 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, 2020, adjustments to the present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included $(8.6) million, $(133.4) million, $(197.5) million and $73.7 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 March 31, 2021, 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	$ 12,494.8	$ 1,723.1	$ (53.6)	$ (4.9)	$ 14,159.4
United States Treasury securities and obligations of United States government corporations and agencies	163.6	40.2	(1.0)	—	202.8
States and political subdivisions	2,366.8	245.4	(10.6)	(.4)	2,601.2
Foreign governments	82.3	10.8	(.1)	—	93.0
Asset-backed securities	1,038.8	41.2	(3.5)	—	1,076.5
Agency residential mortgage-backed securities	48.0	5.1	—	—	53.1
Non-agency residential mortgage-backed securities	1,803.8	176.1	(2.8)	—	1,977.1
Collateralized loan obligations	462.4	2.6	(.9)	—	464.1
Commercial mortgage-backed securities	1,891.1	96.7	(4.6)	—	1,983.2
Total fixed maturities, available for sale	$ 20,351.6	$ 2,341.2	$ (77.1)	$ (5.3)	$ 22,610.4

At December 31, 2020, the amortized cost, gross unrealized gains, gross unrealized losses, allowance for credit losses and estimated fair value of fixed maturities, available for sale, were as follows (dollars in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Estimated fair value
Corporate securities	$ 12,054.7	$ 2,696.3	$ (9.9)	$ (1.9)	$ 14,739.2
United States Treasury securities and obligations of United States government corporations and agencies	163.8	71.9	(.2)	—	235.5
States and political subdivisions	2,296.6	358.9	(1.3)	(.3)	2,653.9
Foreign governments	82.4	20.4	—	—	102.8
Asset-backed securities	1,024.4	45.1	(7.4)	—	1,062.1
Agency residential mortgage-backed securities	52.7	5.7	—	—	58.4
Non-agency residential mortgage-backed securities	1,913.5	181.2	(2.1)	—	2,092.6
Collateralized loan obligations	461.9	.6	(3.6)	—	458.9
Commercial mortgage-backed securities	1,871.1	116.4	(7.3)	—	1,980.2
Total fixed maturities, available for sale	$ 19,921.1	$ 3,496.5	$ (31.8)	$ (2.2)	$ 23,383.6

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at March 31, 2021, 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, agency residential mortgage-backed securities, non-agency residential mortgage-backed securities, collateralized loan obligations and commercial 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	$ 322.7	$ 329.0
Due after one year through five years	1,011.2	1,075.3
Due after five years through ten years	1,496.0	1,623.8
Due after ten years	12,277.6	14,028.3
Subtotal	15,107.5	17,056.4
Structured securities	5,244.1	5,554.0
Total fixed maturities, available for sale	$ 20,351.6	$ 22,610.4

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at December 31, 2020, by contractual maturity.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	$ 388.7	$ 396.4
Due after one year through five years	987.4	1,052.9
Due after five years through ten years	1,540.4	1,715.6
Due after ten years	11,681.0	14,566.5
Subtotal	14,597.5	17,731.4
Structured securities	5,323.6	5,652.2
Total fixed maturities, available for sale	$ 19,921.1	$ 23,383.6

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.

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The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at March 31, 2021 (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	$ 764.1	$ (31.7)	$ 18.3	$ (.3)	$ 782.4	$ (32.0)
United States Treasury securities and obligations of United States government corporations and agencies	18.6	(1.0)	—	—	18.6	(1.0)
States and political subdivisions	316.6	(10.2)	—	—	316.6	(10.2)
Asset-backed securities	66.7	(.6)	35.4	(2.9)	102.1	(3.5)
Non-agency residential mortgage-backed securities	113.4	(2.0)	96.0	(.8)	209.4	(2.8)
Collateralized loan obligations	49.7	(.2)	156.6	(.7)	206.3	(.9)
Commercial mortgage-backed securities	175.7	(2.0)	95.6	(2.6)	271.3	(4.6)
Total fixed maturities, available for sale	$ 1,504.8	$ (47.7)	$ 401.9	$ (7.3)	$ 1,906.7	$ (55.0)

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 December 31, 2020 (dollars in millions):

	Less than 12 months		12 months or greater		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	$ 110.0	$ (2.6)	$ 5.6	$ (.2)	$ 115.6	$ (2.8)
United States Treasury securities and obligations of United States government corporations and agencies	17.9	(.2)	—	—	17.9	(.2)
States and political subdivisions	8.6	(.1)	—	—	8.6	(.1)
Asset-backed securities	146.9	(4.1)	26.0	(3.3)	172.9	(7.4)
Non-agency residential mortgage-backed securities	173.2	(1.5)	42.2	(.6)	215.4	(2.1)
Collateralized loan obligations	151.4	(1.5)	178.7	(2.1)	330.1	(3.6)
Commercial mortgage-backed securities	277.0	(6.3)	72.3	(1.0)	349.3	(7.3)
Total fixed maturities, available for sale	$ 885.0	$ (16.3)	$ 324.8	$ (7.2)	$ 1,209.8	$ (23.5)

Based on management's current assessment of investments with unrealized losses at March 31, 2021, the Company believes the issuers of the securities will continue to meet their obligations. While we do not have the intent to sell securities with unrealized losses and it is not more likely than not that we will be required to sell securities with unrealized losses prior to their anticipated recovery, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, if a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we had the intent to sell the security before its anticipated recovery.

The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the three months ended March 31, 2021 (dollars in millions):

	Corporate securities	States and political subdivisions	Total
Allowance at December 31, 2020	$ 1.9	$ .3	$ 2.2
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	1.5	—	1.5
Reduction for securities sold during the period	(.2)	—	(.2)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—
Write-offs	—	—	—
Recoveries of previously written-off amount	—	—	—
Allowance at March 31, 2021	$ 4.9	$ .4	$ 5.3

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

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

Mortgage Loans

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

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

At March 31, 2021, the mortgage loan balance was primarily comprised of commercial mortgage loans. At March 31, 2021, there were no commercial mortgage loans in process of foreclosure. At March 31, 2021, we held residential mortgage loan investments with an amortized cost and fair value of $79.5 million and $80.3 million, respectively. At March 31, 2021, there were 15 residential mortgage loans that were noncurrent with a carrying value of $4.8 million (of which, 11 such loans with a carrying value of $3.7 million were in forbearance and 4 loans with a carrying value of $1.1 million were in foreclosure). There were no other mortgage loans that were noncurrent at March 31, 2021.

The following table provides the amortized cost by year of origination and estimated fair value of our outstanding commercial mortgage loans and the underlying collateral as of March 31, 2021 (dollars in millions):

							Estimated fair value	
Loan-to-value ratio (a)(b)	2020	2019	2018	2017	Prior	Total amortized cost	Mortgage loans	Collateral
Less than 60%	$ 28.8	$ 88.2	$ 138.9	$ 83.6	$ 643.2	$ 982.7	$ 1,026.4	$ 2,838.7
60% to less than 70%	—	—	8.5	10.7	78.0	97.2	99.3	148.8
70% to less than 80%	18.7	12.2	—	—	42.6	73.5	71.6	101.0
80% to less than 90%	—	—	—	—	63.6	63.6	60.0	76.5
90% or greater	—	—	—	—	10.0	10.0	7.4	10.7
Total	$ 47.5	$ 100.4	$ 147.4	$ 94.3	$ 837.4	$ 1,227.0	$ 1,264.7	$ 3,175.7

(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.
(b) There were no commercial mortgage loan originations in the first three months of 2021.

The following table summarizes changes in the allowance for credit losses related to mortgage loans for the three months ended March 31, 2021 (dollars in millions):

	Mortgage loans
Allowance for credit losses at December 31, 2020	$ 11.8
Current period provision for expected credit losses	(3.0)
Initial allowance recognized for purchased financial assets with credit deterioration	—
Write-offs charged against the allowance	—
Recoveries of amounts previously written off	—
Allowance for credit losses at March 31, 2021	$ 8.8

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

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

Net Realized Investment Gains (Losses)

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Fixed maturity securities, available for sale:		
Gross realized gains on sale	$ 13.2	$ 11.9
Gross realized losses on sale	(13.8)	(21.4)
Change in allowance for credit losses and other-than-temporary impairment losses	(3.1)	(25.9)
Net realized investment losses from fixed maturities	(3.7)	(35.4)
Equity securities, including change in fair value (a)	(1.8)	(15.7)
Change in allowance for credit losses and other-than-temporary impairment losses of other investments (b)	12.7	(29.5)
Other (c)	(10.0)	(34.9)
Net realized investment losses	$ (2.8)	$ (115.5)

(a) Changes in the estimated fair value of equity securities (that are still held as of the end of the respective periods) were $(1.3) million and $(15.7) million for the three months ended March 31, 2021 and 2020, respectively.
(b) Changes in the allowance for credit losses in the three months ended March 31, 2021 and 2020 includes $9.7 million and $(27.8) million, respectively, related to investments held by variable interest entities ("VIEs").
(c) Change in the estimated fair value of trading securities that we have elected the fair value option (that are still held as of the end of the respective periods) were $(1.6) million and $(26.8) million in the three months ended March 31, 2021 and 2020, respectively.

During the first three months of 2021, we recognized net realized investment losses of $2.8 million, which were comprised of: (i) $6.0 million of net losses from the sales of investments; (ii) $1.8 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 $1.6 million; (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of $3.0 million; and (v) a decrease in the allowance for credit losses of $9.6 million.

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

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

At March 31, 2021, there were no fixed maturity investments in default.

During the first three months of 2021, the $13.8 million of gross realized losses on sales of $215.5 million of fixed maturity securities, available for sale related to various corporate securities. 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; (ii) expectation that the market value could deteriorate; (iii) our desire to reduce our exposure to an asset class, an issuer or an industry; (iv) prospective or actual changes in credit quality; or (v) changes in expected portfolio cash flows.

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

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.

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 March 31,	
	2021	2020 (a)
Net income (loss) for basic and diluted earnings per share	$ 147.4	$ (21.2)
Shares:		
Weighted average shares outstanding for basic earnings per share	134,140	145,829
Effect of dilutive securities on weighted average shares:		
Amounts related to employee benefit plans	2,513	—
Weighted average shares outstanding for diluted earnings per share	136,653	145,829

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

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

BUSINESS SEGMENTS

We view our operations as three insurance product lines (annuity, health and life) and the investment and fee revenue segments. Our 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.

Our insurance product line segments (including annuity, health and life) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. 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.

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 are bringing a sharper focus to this high-growth business while further capitalizing on the strength of our recent acquisitions of Web Benefits Design Corporation ("WBD") in April 2019 and DirectPath in February 2021. 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.

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 alternative investments income not allocated to product lines), 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), DirectPath (a national provider of year-round technology-driven employee benefits management services) 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, 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 and other non-operating items consisting primarily of earnings attributable to VIEs depend on market conditions or represent unusual items that do not necessarily relate to the underlying business of our segments. Net realized investment gains (losses) and fair value changes in embedded derivative liabilities (net of related amortization) may affect future earnings levels since our underlying business is long-term in nature and changes in our investment portfolio may impact our ability to earn the assumed interest rates needed to maintain the profitability of our business.

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues:		
Annuity:		
Insurance policy income	$ 5.4	$ 5.6
Net investment income	115.7	117.4
Total annuity revenues	121.1	123.0
Health:		
Insurance policy income	416.5	429.0
Net investment income	71.5	70.4
Total health revenues	488.0	499.4
Life:		
Insurance policy income	210.5	194.1
Net investment income	35.8	34.3
Total life revenues	246.3	228.4
Change in market values of the underlying options supporting the fixed index annuity and life products (offset by market value changes credited to policyholder balances)	42.5	(136.5)
Investment income not allocated to product lines	64.9	72.4
Fee revenue and other income:		
Fee income	32.3	28.8
Amounts netted in expenses not allocated to product lines	6.8	1.8
Total segment revenues	$ 1,001.9	$ 817.3

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	Three months ended March 31, 2021	Three months ended March 31, 2020
Expenses:		
Annuity:		
Insurance policy benefits	$ 6.2	$ 5.5
Interest credited	38.7	42.0
Amortization and non-deferred commissions	18.3	16.0
Total annuity expenses	63.2	63.5
Health:		
Insurance policy benefits	306.6	353.8
Amortization and non-deferred commissions	56.7	58.7
Total health expenses	363.3	412.5
Life:		
Insurance policy benefits	163.6	131.9
Interest credited	10.6	10.3
Amortization, non-deferred commissions and advertising expense	45.0	41.9
Total life expenses	219.2	184.1
Allocated expenses	141.1	136.6
Expenses not allocated to product lines	28.8	15.6
Market value changes of options credited to fixed index annuity and life policyholders	42.5	(136.5)
Amounts netted in investment income not allocated to product lines:		
Interest expense	18.2	22.7
Other expenses	3.7	(7.7)
Expenses netted in fee revenue:		
Distribution and commission expenses	25.0	21.0
Total segment expenses	905.0	711.8
Pre-tax measure of profitability:		
Annuity margin	57.9	59.5
Health margin	124.7	86.9
Life margin	27.1	44.3
Total insurance product margin	209.7	190.7
Allocated expenses	(141.1)	(136.6)
Income from insurance products	68.6	54.1
Fee income	7.3	7.8
Investment income not allocated to product lines	43.0	57.4
Expenses not allocated to product lines	(22.0)	(13.8)
Operating earnings before taxes	96.9	105.5
Income tax expense on operating income	21.7	21.2
Net operating income	$ 75.2	$ 84.3

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Total segment revenues	$ 1,001.9	$ 817.3
Net realized investment gains (losses)	(2.8)	(115.5)
Revenues related to earnings attributable to VIEs	6.9	10.7
Fee revenue related to transition services agreement	—	4.7
Consolidated revenues	1,006.0	717.2
Total segment expenses	905.0	711.8
Insurance policy benefits - fair value changes in embedded derivative liabilities	(109.1)	83.8
Amortization related to fair value changes in embedded derivative liabilities	27.0	(17.1)
Amortization related to net realized investment gains (losses)	—	(3.4)
Expenses attributable to VIEs	6.3	11.0
Fair value changes related to agent deferred compensation plan	(13.2)	—
Expenses related to transition services agreement	—	2.1
Consolidated expenses	816.0	788.2
Income (loss) before tax	190.0	(71.0)
Income tax expense (benefit):		
Tax expense (benefit) on period income (loss)	42.6	(15.8)
Valuation allowance for deferred tax assets and other tax items	—	(34.0)
Net income (loss)	$ 147.4	$ (21.2)

ACCOUNTING FOR DERIVATIVES

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

	Fair value	
	March 31, 2021	December 31, 2020
Assets:		
Other invested assets:		
Fixed index call options	$ 235.5	$ 216.7
Other	2.5	—
Reinsurance receivables	(1.6)	1.4
Total assets	$ 236.4	$ 218.1
Liabilities:		
Future policy benefits:		
Fixed index products	$ 1,549.3	$ 1,644.5
Total liabilities	$ 1,549.3	$ 1,644.5

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 $110 million in underlying investments held by the ceding reinsurer at March 31, 2021.

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 $2.4 billion at both March 31, 2021 and December 31, 2020.

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

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

	Three months ended March 31,	
	2021	2020
Net investment income (loss) from policyholder and other special-purpose portfolios:		
Fixed index call options	$ 43.6	$ (136.7)
Net realized gains (losses):		
Embedded derivative related to modified coinsurance agreement	(3.0)	(6.0)
Insurance policy benefits:		
Embedded derivative related to fixed index annuities	163.5	(76.7)
Total	$ 204.1	$ (219.4)

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 March 31, 2021, 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 March 31, 2021 and December 31, 2020 (dollars in millions):

				Gross amounts not offset in the balance sheet		
	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
March 31, 2021:						
Fixed index call options	$ 235.5	$ —	$ 235.5	$ —	$ —	$ 235.5
December 31, 2020:						
Fixed index call options	216.7	—	216.7	—	—	216.7

REINSURANCE

The cost of reinsurance ceded totaled $54.8 million and $84.0 million in the first quarters of 2021 and 2020, respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled $92.3 million and $106.0 million in the first quarters of 2021 and 2020, 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 $5.3 million and $6.0 million in the first quarters of 2021 and 2020, respectively. Insurance policy benefits related to reinsurance assumed totaled $8.6 million and $8.4 million in the first quarters of 2021 and 2020, 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 cannot 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 March 31,	
	2021	2020
Current tax expense (benefit)	$ 14.0	$ (63.6)
Deferred tax expense	28.6	47.8
Income tax expense (benefit) calculated based on estimated annual effective tax rate	42.6	(15.8)
Income tax benefit on discrete items:		
Carryback of net operating losses to years with a higher statutory corporate rate pursuant to provisions of the CARES Act (as defined below)	—	(34.0)
Total income tax expense (benefit)	$ 42.6	$ (49.8)

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 permitted net operating loss carryforwards ("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 were 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 in the first three months of 2020 due to 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 repealed the 80 percent limitation for taxable years beginning before January 1, 2021 (as required under the Tax Cuts and Job Act (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. Our current income tax asset at March 31, 2021 and December 31, 2020, includes a receivable of $99.2 million related to refunds resulting from the NOL utilization provisions of the CARES Act.

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

	Three months ended March 31,	
	2021	2020
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	(.3)	2.7
State taxes	1.7	(1.4)
Estimated annual effective tax rate calculated before discrete items	22.4	22.3
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	—	47.8
Effective tax rate	22.4 %	70.1 %

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

	March 31, 2021	December 31, 2020
Deferred tax assets:		
Net federal operating loss carryforwards	$ 321.6	$ 339.2
Net state operating loss carryforwards	1.5	2.7
Insurance liabilities	370.4	386.4
Indirect costs allocable to self-constructed real estate assets	119.3	105.7
Other	29.3	43.0
Gross deferred tax assets	842.1	877.0
Deferred tax liabilities:		
Investments	(34.5)	(29.5)
Present value of future profits and deferred acquisition costs	(122.7)	(133.8)
Accumulated other comprehensive income	(419.4)	(604.3)
Gross deferred tax liabilities	(576.6)	(767.6)
Net deferred tax assets	265.5	109.4
Current income taxes prepaid	92.7	90.0
Income tax assets, net	$ 358.2	$ 199.4

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 March 31, 2021, 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 $265.5 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 (1.22 percent at March 31, 2021), and the annual restriction could limit our ability to use a substantial portion of our NOLs to offset future taxable income. We regularly monitor ownership change (as calculated for purposes of Section 382) and, as of March 31, 2021, we were below the 50 percent ownership change level that could limit our ability to utilize our NOLs.

We have $1.5 billion of federal NOLs as of March 31, 2021, as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2023	$ 945.0
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	$ 1,531.6

Our life NOLs were fully utilized in 2020. Our non-life NOLs can be used to offset 35 percent of life insurance company taxable income and 100 percent of non-life 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 $1.5 million and $2.7 million at March 31, 2021 and December 31, 2020, respectively. The related state NOLs are available to offset future state taxable income in certain states and are expected to be fully utilized prior to expiration.

The federal statute of limitations remains open with respect to tax years 2016 through 2020. The Company’s various state income tax returns are generally open for tax years based on individual state statutes of limitation. Generally, for tax years which generate NOLs, capital losses or tax credit carryforwards, the statute remains open until the expiration of the statute of limitations for the tax year in which such carryforwards are utilized. The outcome of tax audits cannot be predicted with certainty. If the Company’s tax audits are not resolved in a manner consistent with management’s expectations, the Company may be required to adjust its provision for income taxes.

NOTES PAYABLE - DIRECT CORPORATE OBLIGATIONS

The following notes payable were direct corporate obligations of the Company as of March 31, 2021 and December 31, 2020 (dollars in millions):

	March 31, 2021	December 31, 2020
5.250% Senior Notes due May 2025	$ 500.0	$ 500.0
5.250% Senior Notes due May 2029	500.0	500.0
5.125% Subordinated Debentures due November 2060	150.0	150.0
Revolving Credit Agreement (as defined below)	—	—
Unamortized debt issue costs	(13.4)	(13.8)
Direct corporate obligations	$ 1,136.6	$ 1,136.2

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 October 13, 2017, the Company entered into an amendment and restatement agreement (the "Amendment Agreement") with respect to its revolving credit agreement (as amended by the Amendment Agreement, the "Revolving Credit Agreement"). The Amendment Agreement, among other things, increased the total commitments available under the revolving credit facility from $150.0 million to $250.0 million, increased the aggregate amount of additional incremental loans the Company may incur from $50.0 million to $100.0 million and extended the maturity date of the revolving credit facility from May 19, 2019 to October 13, 2022. There were no amounts outstanding under the Revolving Credit Agreement during the three months ended March 31, 2021.

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 25.9 percent at March 31, 2021); (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 407 percent at March 31, 2021); 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 $3,342.6 million at March 31, 2021 compared to the minimum requirement of $2,705.8 million).

INVESTMENT BORROWINGS

Three of the Company's insurance subsidiaries (Bankers Life and Casualty Company ("Bankers Life"), Washington National Insurance Company ("Washington National") and Colonial Penn Life Insurance Company ("Colonial Penn")) are members of the FHLB. As members of the FHLB, our insurance subsidiaries have the ability to borrow on a collateralized basis from the FHLB. We are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At March 31, 2021, the carrying value of the FHLB common stock was $71.0 million. As of March 31, 2021, collateralized borrowings from the FHLB totaled $1.6 billion and the proceeds were used to purchase fixed maturity securities. The borrowings are classified as investment borrowings in the accompanying consolidated balance sheet. The borrowings are collateralized by investments with an estimated fair value of $2.0 billion at March 31, 2021, which are maintained in a custodial account for the benefit of the FHLB. Substantially all of such investments are classified as fixed maturities, available for sale, in our consolidated balance sheet.

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

Amount borrowed	Maturity date	Interest rate at March 31, 2021
$ 27.2	August 2021	Fixed rate – 2.550%
22.0	May 2022	Variable rate – .541%
100.0	May 2022	Variable rate – .537%
10.0	June 2022	Variable rate – .799%
50.0	July 2022	Variable rate – .595%
50.0	August 2022	Variable rate – .583%
50.0	December 2022	Variable rate – .491%
50.0	December 2022	Variable rate – .491%
22.2	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – .496%
100.0	July 2023	Variable rate – .498%
50.0	February 2024	Variable rate – .491%
50.0	May 2024	Variable rate – .581%
21.8	May 2024	Variable rate – .591%
50.0	May 2024	Variable rate – .639%
75.0	June 2024	Variable rate – .503%
100.0	July 2024	Variable rate – .548%
15.5	July 2024	Fixed rate – 1.990%
34.5	July 2024	Variable rate – .713%
15.0	July 2024	Variable rate – .662%
25.0	September 2024	Variable rate – .750%
21.7	May 2025	Variable rate – .446%
19.4	June 2025	Fixed rate – 2.940%
125.0	September 2025	Variable rate – .360%
100.0	October 2025	Variable rate – .572%
100.0	October 2025	Variable rate – .597%
57.7	October 2025	Variable rate – .534%
50.0	November 2025	Variable rate – .538%
50.0	January 2026	Variable rate – .573%
50.0	January 2026	Variable rate – .557%
100.0	January 2026	Variable rate – .500%
$ 1,642.0		

The variable rate borrowings are pre-payable on each interest reset date without penalty. The fixed rate borrowings are pre-payable subject to payment of a yield maintenance fee based on prevailing market interest rates. At March 31, 2021, the aggregate yield maintenance fee to prepay all fixed rate borrowings was $4.3 million.

Interest expense of $2.7 million and $9.1 million in the first three months of 2021 and 2020, respectively, was recognized related to total borrowings from the FHLB.

CHANGES IN COMMON STOCK

In the first three months of 2021, we repurchased 4.1 million shares of common stock for $100.0 million (including $2.2 million of repurchases settled in the second quarter of 2021) under our securities repurchase program. The Company had remaining repurchase authority of $169.3 million as of March 31, 2021. In May 2021, the Company's Board of Directors approved an additional $500.0 million to repurchase the Company's outstanding shares of common stock.

In the first three months of 2021, dividends declared on common stock totaled $16.2 million ($0.12 per common share). In May 2021, the Company increased its quarterly common stock dividend to $0.13 per share from $0.12 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 $3.9 million and $3.3 million during the three months ended March 31, 2021 and 2020, respectively. Amounts amortized totaled $6.2 million and $(.3) million during the three months ended March 31, 2021 and 2020, respectively. The unamortized balance of deferred sales inducements was $57.1 million and $59.4 million at March 31, 2021 and December 31, 2020, 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 November 2020, the FASB issued authoritative guidance which delayed the effective date of this guidance for the Company by one year (until January 1, 2023). 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 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 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 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 April 9, 2019, Bankers Conseco Life Insurance Company ("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"). BCLIC and Washington National seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. 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 Beechwood Re Ltd. (" 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 appealed the Court's decision. On April 20, 2021, the New York Appellate Division of the Supreme Court, First Judicial Department unanimously reversed the trial court and reinstated breach of contract and breach of fiduciary claims against Wilmington. The Wilmington Action is currently pending in the Supreme Court of the State of New York, County of New York, Commercial Division.

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, CNO Financial Group, Inc., BCLIC, Washington National and 40|86 Advisors, Inc. (collectively, the "CNO Parties") in Delaware Chancery Court. Plaintiffs seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. 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. Plaintiffs have filed an Amended Complaint and the CNO Parties have moved to dismiss the Amended Complaint.

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"). BCLIC and Washington National seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. 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 appealed the Court's decision. On December 1, 2020, the New York Appellate Division of the Supreme Court, First Judicial Department unanimously reversed the trial court and reinstated the aiding and abetting claim against KPMG. The KPMG Action is currently pending in the Supreme Court of the State of New York, County of New York, Commercial Division.

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

	Three months ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 147.4	$ (21.2)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Amortization and depreciation	108.7	59.6
Income taxes	25.9	(51.7)
Insurance liabilities	(3.9)	9.7
Accrual and amortization of investment income	(87.1)	116.1
Deferral of policy acquisition costs	(70.7)	(68.2)
Net realized investment losses	2.8	115.5
Other	(33.7)	(34.1)
Net cash from operating activities	$ 89.4	$ 125.7

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

	Three months ended March 31,	
	2021	2020
Amounts related to employee benefit plans	$ 5.6	$ 4.6

INVESTMENTS IN VARIABLE INTEREST ENTITIES

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

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

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

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

	March 31, 2021		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,224.0	$ —	$ 1,224.0
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	76.0	—	76.0
Accrued investment income	1.7	—	1.7
Income tax assets, net	9.0	—	9.0
Other assets	12.5	(.9)	11.6
Total assets	$ 1,323.2	$ (114.7)	$ 1,208.5
Liabilities:			
Other liabilities	$ 94.9	$ (4.3)	$ 90.6
Borrowings related to variable interest entities	1,151.7	—	1,151.7
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	$ 1,372.7	$ (130.4)	$ 1,242.3

	December 31, 2020		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	$ 1,189.4	$ —	$ 1,189.4
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	54.1	—	54.1
Accrued investment income	1.7	—	1.7
Income tax assets, net	10.4	—	10.4
Other assets	3.3	(.9)	2.4
Total assets	$ 1,258.9	$ (114.7)	$ 1,144.2
Liabilities:			
Other liabilities	$ 36.3	$ (4.8)	$ 31.5
Borrowings related to variable interest entities	1,151.8	—	1,151.8
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	$ 1,314.2	$ (130.9)	$ 1,183.3

The investment portfolios held by the VIEs are primarily comprised of commercial bank loans to corporate obligors which are almost entirely rated below-investment grade. At March 31, 2021, such loans had an amortized cost of $1,234.3 million; gross unrealized gains of $3.0 million; gross unrealized losses of $7.9 million; allowance for credit losses of $5.4 million; and an estimated fair value of $1,224.0 million.

The following table summarizes changes in the allowance for credit losses related to investments held by VIEs for the three months ended March 31, 2021 (dollars in millions):

	Corporate securities
Allowance at December 31, 2020	$ 15.1
Additions for securities for which credit losses were not previously recorded	.5
Additions for purchased securities with deteriorated credit	—
Additions (reductions) for securities where an allowance was previously recorded	(2.5)
Reduction for securities sold during the period	(7.7)
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 March 31, 2021	$ 5.4

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

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

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at March 31, 2021, 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	$ 6.6	$ 5.7
Due after one year through five years	683.1	674.5
Due after five years through ten years	544.6	543.8
Total	$ 1,234.3	$ 1,224.0

During the first three months of 2021, the VIEs recognized net realized investment gains of $4.1 million which were comprised of: (i) $5.6 million of net losses from the sales of fixed maturities; and (ii) a decrease in the allowance for credit losses of $9.7 million. Such net realized losses included gross realized losses of $5.6 million from the sale of $27.2 million of investments. During the first three months of 2020, the VIEs recognized net realized investment losses of $30.1 million which were comprised of: (i) $2.3 million of net losses from the sales of fixed maturities; and (ii) a $27.8 million increase in the allowance for credit losses. Such net realized losses included gross realized losses of $2.3 million from the sale of $18.5 million of investments.

At March 31, 2021, there was one fixed maturity investment held by the VIEs in default with an amortized cost of $1.0 million, a carrying value of $0.3 million and an allowance for credit losses of $0.7 million.

At March 31, 2021, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of $426.6 million and gross unrealized losses not deemed to have credit losses of $2.9 million that had been in an unrealized loss position for less than twelve months; and (ii) investments (for which an allowance for credit losses has not been recorded) with a fair value of $343.9 million and gross unrealized losses not deemed to have credit losses of $4.6 million that had been in an unrealized loss position for twelve months or greater.

At December 31, 2020, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of $461.9 million and gross unrealized losses of $4.9 million that had been in an unrealized loss position for less than twelve months; and (ii) investments (for which an allowance for credit losses has not been recorded) with a fair value of $238.3 million and gross unrealized losses of $3.9 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.

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

At March 31, 2021, we held investments in various limited partnerships and hedge funds, in which we are not the primary beneficiary, totaling $585.7 million (classified as other invested assets). At March 31, 2021, we had unfunded commitments to these partnerships totaling $110.4 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 assets carried at fair value 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, collateralized loan obligations and commercial mortgage-backed securities 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 83 percent of our Level 3 fixed maturity securities and trading 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.

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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 March 31, 2021 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	$ —	$ 14,025.9	$ 133.5	$ 14,159.4
United States Treasury securities and obligations of United States government corporations and agencies	—	202.8	—	202.8
States and political subdivisions	—	2,601.2	—	2,601.2
Foreign governments	—	93.0	—	93.0
Asset-backed securities	—	1,064.7	11.8	1,076.5
Agency residential mortgage-backed securities	—	53.1	—	53.1
Non-agency residential mortgage-backed securities	—	1,977.1	—	1,977.1
Collateralized loan obligations	—	464.1	—	464.1
Commercial mortgage-backed securities	—	1,983.2	—	1,983.2
Total fixed maturities, available for sale	—	22,465.1	145.3	22,610.4
Equity securities - corporate securities	117.9	19.7	26.8	164.4
Trading securities:				
Asset-backed securities	—	7.9	—	7.9
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	89.9	5.6	95.5
Commercial mortgage-backed securities	—	126.4	12.4	138.8
Total trading securities	—	224.6	18.0	242.6
Investments held by variable interest entities - corporate securities	—	1,224.0	—	1,224.0
Other invested assets - derivatives	—	238.0	—	238.0
Assets held in separate accounts	—	4.3	—	4.3
Total assets carried at fair value by category	$ 117.9	$ 24,175.7	$ 190.1	$ 24,483.7
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	$ —	$ —	$ 1,549.3	$ 1,549.3

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at December 31, 2020 is as follows (dollars in millions):

	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Fixed maturities, available for sale:				
Corporate securities	$ —	$ 14,592.3	$ 146.9	$ 14,739.2
United States Treasury securities and obligations of United States government corporations and agencies	—	235.5	—	235.5
States and political subdivisions	—	2,653.9	—	2,653.9
Foreign governments	—	102.8	—	102.8
Asset-backed securities	—	1,047.8	14.3	1,062.1
Agency residential mortgage-backed securities	—	58.4	—	58.4
Non-agency residential mortgage-backed securities	—	2,091.0	1.6	2,092.6
Collateralized loan obligations	—	458.9	—	458.9
Commercial mortgage-backed securities	—	1,980.2	—	1,980.2
Total fixed maturities, available for sale	—	23,220.8	162.8	23,383.6
Equity securities - corporate securities	104.6	19.8	26.8	151.2
Trading securities:				
Asset-backed securities	—	10.4	—	10.4
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	92.0	5.9	97.9
Commercial mortgage-backed securities	—	106.3	17.0	123.3
Total trading securities	—	209.1	22.9	232.0
Investments held by variable interest entities - corporate securities	—	1,189.4	—	1,189.4
Other invested assets - derivatives	—	216.7	—	216.7
Assets held in separate accounts	—	4.2	—	4.2
Total assets carried at fair value by category	$ 104.6	$ 24,860.0	$ 212.5	$ 25,177.1
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	$ —	$ —	$ 1,644.5	$ 1,644.5

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

	March 31, 2021				
	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	$ —	$ —	$ 1,345.0	$ 1,345.0	$ 1,297.7
Policy loans	—	—	121.0	121.0	121.0
Other invested assets:					
Company-owned life insurance	—	205.8	—	205.8	205.8
Cash and cash equivalents:					
Unrestricted	662.9	—	—	662.9	662.9
Held by variable interest entities	76.0	—	—	76.0	76.0
Liabilities:					
Policyholder account liabilities	—	—	12,571.3	12,571.3	12,571.3
Investment borrowings	—	1,646.3	—	1,646.3	1,642.0
Borrowings related to variable interest entities	—	1,148.1	—	1,148.1	1,151.7
Notes payable – direct corporate obligations	—	1,293.5	—	1,293.5	1,136.6

	December 31, 2020				
	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Total carrying amount
Assets:					
Mortgage loans	$ —	$ —	$ 1,424.8	$ 1,424.8	$ 1,358.7
Policy loans	—	—	123.0	123.0	123.0
Other invested assets:					
Company-owned life insurance	—	209.7	—	209.7	209.7
Cash and cash equivalents:					
Unrestricted	937.8	—	—	937.8	937.8
Held by variable interest entities	54.1	—	—	54.1	54.1
Liabilities:					
Policyholder account liabilities	—	—	12,540.6	12,540.6	12,540.6
Investment borrowings	—	1,648.3	—	1,648.3	1,642.5
Borrowings related to variable interest entities	—	1,141.7	—	1,141.7	1,151.8
Notes payable – direct corporate obligations	—	1,326.8	—	1,326.8	1,136.2

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the three months ended March 31, 2021 (dollars in millions):

	March 31, 2021								
	Beginning balance as of December 31, 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 March 31, 2021	Amount of total gains (losses) for the three months ended March 31, 2021 included in our net income relating to assets and liabilities still held as of the reporting date	Amount of total gains (losses) for the three months ended March 31, 2021 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	$ 146.9	$ (.1)	$ (1.1)	$ (.7)	$ 19.9	$ (31.4)	$ 133.5	$ (1.1)	$ (1.4)
Asset-backed securities	14.3	(.2)	—	(.3)	—	(2.0)	11.8	—	(.3)
Non-agency residential mortgage-backed securities	1.6	—	—	—	—	(1.6)	—	—	—
Total fixed maturities, available for sale	162.8	(.3)	(1.1)	(1.0)	19.9	(35.0)	145.3	(1.1)	(1.7)
Equity securities - corporate securities	26.8	—	—	—	—	—	26.8	—	—
Trading securities:									
Non-agency residential mortgage-backed securities	5.9	(.3)	(.1)	.1	—	—	5.6	—	—
Commercial mortgage-backed securities	17.0	—	(.1)	.2	—	(4.7)	12.4	(.1)	—
Total trading securities	22.9	(.3)	(.2)	.3	—	(4.7)	18.0	(.1)	—
Liabilities:									
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,644.5)	(68.3)	163.5	—	—	—	(1,549.3)	163.5	—

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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 March 31, 2021 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	$ —	$ (.1)	$ —	$ —	$ (.1)
Asset-backed securities	—	(.2)	—	—	(.2)
Total fixed maturities, available for sale	—	(.3)	—	—	(.3)
Trading securities - non-agency residential mortgage-backed securities	—	(.3)	—	—	(.3)
Liabilities:					
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(41.6)	—	(52.8)	26.1	(68.3)

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The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the three months ended March 31, 2020 (dollars in millions):

	March 31, 2020								
	Beginning balance as of December 31, 2019	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of March 31, 2020	Amount of total gains (losses) for the three months ended March 31, 2020 included in our net income relating to assets and liabilities still held as of the reporting date	Amount of total gains (losses) for the three months ended March 31, 2020 included in accumulated other comprehensive income (loss) relating to assets and liabilities still held as of the reporting date
Assets:									
Fixed maturities, available for sale:									
Corporate securities	$ 178.8	$ 20.0	$ (.6)	$ (1.4)	$ 82.6	$ (151.6)	$ 127.8	$ (.6)	$ (1.9)
Foreign governments	1.1	—	—	—	—	(1.1)	—	—	—
Asset-backed securities	12.6	20.3	—	(2.0)	—	—	30.9	—	(2.0)
Commercial mortgage-backed securities	—	—	—	(1.0)	8.2	—	7.2	—	(1.0)
Total fixed maturities, available for sale	192.5	40.3	(.6)	(4.4)	90.8	(152.7)	165.9	(.6)	(4.9)
Equity securities - corporate securities	8.3	—	—	—	—	—	8.3	—	—
Trading securities - commercial mortgage-backed securities	12.5	—	(1.8)	.2	—	—	10.9	—	—
Investments held by variable interest entities - corporate securities	—	—	(2.9)	1.1	2.4	—	.6	(2.9)	1.1
Liabilities:									
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	(1,565.4)	93.6	(76.7)	—	—	—	(1,548.5)	(76.7)	—

(a) Transfers into Level 3 are the result of unobservable inputs utilized within valuation methodologies for assets that were previously valued using observable inputs. Transfers out of Level 3 are due to the use of observable inputs in valuation methodologies as well as the utilization of pricing service information for certain assets that the Company is able to validate.
(b) Purchases, sales, issuances and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases and sales of fixed maturity and equity securities and changes to embedded derivative instruments related to insurance products resulting from the issuance of new contracts, or changes to existing contracts. The following summarizes such activity for the three months ended March 31, 2020 (dollars in millions):

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

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 March 31, 2021, 98 percent of our Level 3 fixed maturities, available for sale, were investment grade and 92 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 March 31, 2021 (dollars in millions):

	Fair value at March 31, 2021	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	$ 12.8	Discounted cash flow analysis	Discount margins	1.94% - 4.49% (2.91%)
Asset-backed securities (c)	11.8	Discounted cash flow analysis	Discount margins	2.00%
Equity securities (d)	8.2	Recovery method	Percent of recovery expected	100%
Equity securities (e)	18.6	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (f)	138.7	Unadjusted third-party price source	Not applicable	Not applicable
Total	190.1			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (g)	1,549.3	Discounted projected embedded derivatives	Projected portfolio yields	4.12% - 4.38% (4.13%)
			Discount rates	0.00% - 3.75% (2.01%)
			Surrender rates	1.60% - 25.60% (9.40%)

(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) Equity securities - For these assets, there were no adjustment to the purchase price.
(f) Other assets categorized as Level 3 - For these assets, there were no adjustments to non-binding quoted market prices obtained from third-party pricing sources.
(g) Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed index annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would have resulted in 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 resulted in 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, 2020 (dollars in millions):

	Fair value at December 31, 2020	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	$ 13.4	Discounted cash flow analysis	Discount margins	1.90% - 5.59% (3.24%)
Asset-backed securities (c)	12.3	Discounted cash flow analysis	Discount margins	2.46%
Equity securities (d)	8.3	Recovery method	Percent of recovery expected	59.27% - 100.00% (59.52%)
Equity securities (e)	18.6	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (f)	159.9	Unadjusted third-party price source	Not applicable	Not applicable
Total	212.5			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (g)	1,644.5	Discounted projected embedded derivatives	Projected portfolio yields	4.12% - 4.38% (4.13%)
			Discount rates	0.00% - 2.64% (1.03%)
			Surrender rates	1.60% - 25.60% (9.40%)

(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) Equity securities - For these assets, there were no adjustment to the purchase price.

(f) Other assets categorized as Level 3 - For these assets, there were no adjustments to non-binding quoted market prices obtained from third-party pricing sources.

(g) Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed index annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would have resulted in 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 resulted in a lower (higher) fair value measurement. Assumed surrender rates are used to project how long the contracts remain in force. Generally, the longer the contracts are assumed to be in force the higher the fair value of the embedded derivative.

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

In this section, we review the consolidated financial condition of CNO at March 31, 2021, and its consolidated results of operations for the three months ended March 31, 2021 and 2020, 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 Future Impacts of COVID-19 Pandemic" included in Management's Discussion and Analysis of Financial Condition.

We continue to closely monitor developments relating to COVID-19 and assess 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 2020 Annual Report on Form 10-K provides examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things:

- 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;
- 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;
- potential continuation of low interest rate environment negatively impacting our results of operations, financial position and cash flow;
- changes to future investment earnings may diminish the value of our invested assets and negatively impact our profitability, our financial condition and our liquidity;
- 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;
- 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 middle-income pre-retiree and retired Americans, which we believe are attractive, underserved, high growth markets. We sell our products through exclusive agents, independent producers (some of whom sell one or more of our product lines exclusively) and direct marketing.

We view our operations as three insurance product lines (annuity, health and life) and the investment and fee revenue segments. Our 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.

Our insurance product line segments (including annuity, health and life) include marketing, underwriting and administration of the policies our insurance subsidiaries sell. 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.

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 are bringing a sharper focus to this high-growth business while further capitalizing on the strength of our recent acquisitions of WBD and DirectPath. 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.

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), DirectPath (a national provider of year-round technology-driven employee benefits management services) and the operations of our broker-dealer and registered investment advisor.

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

The following summarizes our earnings for the three months ending March 31, 2021 and 2020 (dollars in millions, except per share data):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Insurance product margin		
Annuity margin	$ 57.9	$ 59.5
Health margin	124.7	86.9
Life margin	27.1	44.3
Total insurance product margin	209.7	190.7
Allocated expenses	(141.1)	(136.6)
Income from insurance products	68.6	54.1
Fee income	7.3	7.8
Investment income not allocated to product lines	43.0	57.4
Expenses not allocated to product lines	(22.0)	(13.8)
Operating earnings before taxes	96.9	105.5
Income tax expense on operating income	(21.7)	(21.2)
Net operating income (a)	75.2	84.3
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	3.6	(63.7)
Net change in market value of investments recognized in earnings	(6.4)	(48.4)
Fair value changes related to agent deferred compensation plan	13.2	—
Fair value changes in embedded derivative liabilities (net of related amortization)	82.1	(66.7)
Other	.6	2.3
Net non-operating income (loss) before taxes	93.1	(176.5)
Income tax (expense) benefit:		
On non-operating income (loss)	(20.9)	37.0
Valuation allowance for deferred tax assets and other tax items	—	34.0
Net non-operating income (loss)	72.2	(105.5)
Net income (loss)	$ 147.4	$ (21.2)
Per diluted share		
Net operating income	$ .55	$ .58
Net non-operating income (loss)	.53	(.73)
Net income (loss)	$ 1.08	$ (.15)

(a) 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) changes in the valuation allowance for deferred tax assets and other tax items; and (vi) 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 fundamental performance. 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 2020 Annual Report on Form 10-K for information on our other accounting policies that we consider critical in preparing our consolidated financial statements.

RESULTS OF OPERATIONS

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Insurance product margin		
Annuity:		
Insurance policy income	$ 5.4	$ 5.6
Net investment income	115.7	117.4
Insurance policy benefits	(6.2)	(5.5)
Interest credited	(38.7)	(42.0)
Amortization and non-deferred commissions	(18.3)	(16.0)
Annuity margin	57.9	59.5
Health:		
Insurance policy income	416.5	429.0
Net investment income	71.5	70.4
Insurance policy benefits	(306.6)	(353.8)
Amortization and non-deferred commissions	(56.7)	(58.7)
Health margin	124.7	86.9
Life:		
Insurance policy income	210.5	194.1
Net investment income	35.8	34.3
Insurance policy benefits	(163.6)	(131.9)
Interest credited	(10.6)	(10.3)
Amortization and non-deferred commissions	(21.7)	(21.9)
Advertising expense	(23.3)	(20.0)
Life margin	27.1	44.3
Total insurance product margin	209.7	190.7
Allocated expenses:		
Branch office expenses	(18.5)	(18.9)
Other allocated expenses	(122.6)	(117.7)
Income from insurance products	68.6	54.1
Fee income	7.3	7.8
Investment income not allocated to product lines	43.0	57.4
Expenses not allocated to product lines	(22.0)	(13.8)
Operating earnings before taxes	96.9	105.5
Income tax expense on operating income	(21.7)	(21.2)
Net operating income	$ 75.2	$ 84.3

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: (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 alternative investment income not allocated to product lines), net of interest expense on corporate debt.

Summary of Operating Results: Net operating income was $75.2 million in the first quarter of 2021, down from $84.3 million in the first quarter of 2020.

Insurance product margin was $209.7 million in the first three months of 2021, compared to $190.7 million in the first three months of 2020. Insurance product margin for the three months ended March 31, 2021, was significantly impacted by the COVID-19 pandemic. Our life margin reflected approximately $19 million of adverse mortality related to increased deaths caused by COVID-19. Our health margin reflected a favorable COVID-19 impact of approximately $40 million driven by the deferral of health care.

Allocated expenses were higher in the three months ended March 31, 2021, primarily due to investing in growth initiatives, including agent pilots, technology-driven customer experience enhancements, worksite marketing and lead generation.

The fee income segment is summarized below (dollars in millions):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Fee income	$ 32.3	$ 28.8
Distribution and commission expenses	(25.0)	(21.0)
Total	$ 7.3	$ 7.8

The higher fee income and expenses in the first three months of 2021 is primarily due to the activity associated with DirectPath which was acquired in the first quarter of 2021.

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 three months ended March 31, 2021, primarily due to: (i) $5.3 million from legal and regulatory matters; and (ii) $2.5 million of transaction expenses related to the acquisition of DirectPath. The legal and regulatory matters primarily consist of an increase to our liability for claims and interest pursuant to the Global Resolution Agreement, as we have now processed and verified most of the claims provided by the third party auditor allowing us to more accurately estimate the ultimate liability.

The following summarizes total allocated and unallocated expenses adjusted for the significant items summarized above (dollars in millions):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Expenses allocated to product lines	$ 141.1	$ 136.6
Expenses not allocated to product lines	22.0	13.8
Total	163.1	150.4
Net expenses related to legal and regulatory matters	(5.3)	—
Transaction expenses related to acquisition of DirectPath	(2.5)	—
Adjusted total	$ 155.3	$ 150.4

Margin from Annuity Products (dollars in millions):

	Three months ended March 31,	
	2021	2020
Annuity margin:		
Fixed index annuities		
Insurance policy income	$ 3.0	$ 3.3
Net investment income	84.9	82.1
Insurance policy benefits	1.6	(1.0)
Interest credited	(24.9)	(26.2)
Amortization and non-deferred commissions	(16.3)	(13.8)
Margin from fixed index annuities	$ 48.3	$ 44.4
Average net insurance liabilities	$ 7,464.8	$ 6,921.4
Margin/average net insurance liabilities	2.59 %	2.57 %
Fixed interest annuities		
Insurance policy income	$ .2	$ .3
Net investment income	24.4	28.1
Insurance policy benefits	(.7)	(.1)
Interest credited	(13.2)	(14.9)
Amortization and non-deferred commissions	(1.9)	(2.1)
Margin from fixed interest annuities	$ 8.8	$ 11.3
Average net insurance liabilities	$ 1,951.6	$ 2,146.2
Margin/average net insurance liabilities	1.80 %	2.11 %
Other annuities		
Insurance policy income	$ 2.2	$ 2.0
Net investment income	6.4	7.2
Insurance policy benefits	(7.1)	(4.4)
Interest credited	(.6)	(.9)
Amortization and non-deferred commissions	(.1)	(.1)
Margin from other annuities	$ .8	$ 3.8
Average net insurance liabilities	$ 512.2	$ 551.5
Margin/average net insurance liabilities	.62 %	2.76 %
Total annuity margin	$ 57.9	$ 59.5
Average net insurance liabilities	$ 9,928.6	$ 9,619.1
Margin/average net insurance liabilities	2.33 %	2.47 %

Margin from fixed index annuities was $48.3 million in the first quarter of 2021, compared to $44.4 million for the same period in 2020, driven primarily by growth in the block. Average net insurance liabilities (total insurance liabilities less: (i) amounts related to reinsured business; (ii) deferred acquisition costs; (iii) present value of future profits; and (iv) the value of unexpired options credited to insurance liabilities) were $7,464.8 million and $6,921.4 million in the first quarters of 2021 and 2020, respectively, driven by deposits and reinvested returns in excess of withdrawals in periods subsequent to the first quarter of 2020. The increase in net insurance liabilities results in higher net investment income allocated, however, the earned yield was 4.55 percent in the first quarter of 2021, down from 4.74 percent in the first quarter of 2020. In the first quarter of 2021, we believe the margin on fixed index annuities was favorably impacted by approximately $1 million primarily due to persistency impacts indirectly related to the pandemic.

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 $37.7 million and $(119.9) million in the first quarters of 2021 and 2020, respectively.

Margin from fixed interest annuities was $8.8 million in the first quarter of 2021, compared to $11.3 million in 2020, driven primarily by a reduction in the size of the block. Average net insurance liabilities were $1,951.6 million in the first quarter of 2021 compared to $2,146.2 million in the first quarter of 2020, 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 5.00 percent in the first quarter of 2021 from 5.24 percent in the first quarter of 2020, reflecting lower market yields.

Margin from other annuities was $.8 million in the first quarter of 2021, compared to $3.8 million in 2020. The 2020 period reflected higher than expected favorable mortality.

Margin from Health Products (dollars in millions):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Health margin:		
Supplemental health		
Insurance policy income	$ 169.8	$ 169.8
Net investment income	36.1	34.9
Insurance policy benefits	(126.3)	(132.9)
Amortization and non-deferred commissions	(29.2)	(29.6)
Margin from supplemental health	$ 50.4	$ 42.2
Margin/insurance policy income	30 %	25 %
Medicare supplement		
Insurance policy income	$ 181.0	$ 192.3
Net investment income	1.3	1.2
Insurance policy benefits	(120.0)	(136.7)
Amortization and non-deferred commissions	(24.1)	(25.4)
Margin from Medicare supplement	$ 38.2	$ 31.4
Margin/insurance policy income	21 %	16 %
Long-term care margin		
Insurance policy income	$ 65.7	$ 66.9
Net investment income	34.1	34.3
Insurance policy benefits	(60.3)	(84.2)
Amortization and non-deferred commissions	(3.4)	(3.7)
Margin from long-term care	$ 36.1	$ 13.3
Margin/insurance policy income	55 %	20 %
Total health margin	$ 124.7	$ 86.9
Margin/insurance policy income	30 %	20 %

Margin from supplemental health business was $50.4 million in the first quarter of 2021, up 19 percent from 2020. The margin as a percentage of insurance policy income was 30% in the first quarter of 2021 compared to 25% in the prior year period. Insurance policy benefits in the first quarter of 2021 reflected better claims experience than expected which is attributable to policyholders deferring health care during the pandemic which is expected to normalize in future periods. Accordingly, we estimate that the supplemental health margin in 2021 was favorably impacted by approximately $6 million primarily driven by these items relative to our expectations and previous experience prior to COVID-19.

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 $38.2 million and $31.4 million in the first quarters of 2021 and 2020, respectively. The increase in margin on the Medicare supplement business in the 2021 period reflects favorable claim experience. Such favorable claim experience in the first quarter of 2021 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 and persistency relative to our expectations and previous experience prior to COVID-19, we estimate that the Medicare supplement margin was favorably impacted by approximately $9 million in the first quarter of 2021. Insurance policy income was $181.0 million in the first quarter of 2021, down 5.9 percent from the first quarter of 2020, 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 $36.1 million in the first quarter of 2021, up 171 percent from the first quarter of 2020. The margin as a percentage of insurance policy income increased to 55% in the first quarter of 2021, compared to 20% in the first quarter of 2020. The margin in first quarter of 2021 benefited from lower claims incurred attributable to policyholders deferring health care during the pandemic which is expected to normalize in future periods. In addition, an increase in policyholder deaths attributable to the pandemic resulted in higher than expected reserve releases. 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 $25 million in the first quarter of 2021.

Margin from Life Products (dollars in millions):

	Three months ended March 31,	
	2021	2020
Life margin:		
Interest-sensitive life		
Insurance policy income	$ 40.8	$ 39.6
Net investment income	12.4	11.7
Insurance policy benefits	(22.7)	(15.7)
Interest credited	(10.5)	(10.2)
Amortization and non-deferred commissions	(5.8)	(7.4)
Margin from interest-sensitive life	$ 14.2	$ 18.0
Average net insurance liabilities	$ 954.7	$ 900.1
Interest margin	$ 1.9	$ 1.5
Interest margin/average net insurance liabilities	.80 %	.67 %
Underwriting margin	$ 12.3	$ 16.5
Underwriting margin/insurance policy income	30 %	42 %
Traditional life		
Insurance policy income	$ 169.7	$ 154.5
Net investment income	23.4	22.6
Insurance policy benefits	(140.9)	(116.2)
Interest credited	(.1)	(.1)
Amortization and non-deferred commissions	(15.9)	(14.5)
Advertising expense	(23.3)	(20.0)
Margin from traditional life	$ 12.9	$ 26.3
Margin/insurance policy income	8 %	17 %
Margin excluding advertising expense/insurance policy income	21 %	30 %
Total life margin	$ 27.1	$ 44.3

Margin from interest-sensitive life business was $14.2 million in the first quarter of 2021, down 21 percent from 2020. The decrease in margin in the first three months of 2021 is primarily due to higher mortality, partially offset by growth in the block due to sales in recent periods. We estimate that the unfavorable impact from death claims related to COVID-19 on the margin of this block of business was approximately $7 million in the first quarter of 2021.

The interest margin was $1.9 million and $1.5 million in the first quarters of 2021 and 2020, respectively. Net investment income in the first quarter of 2021 was slightly higher than the 2020 period. The increase in average net insurance liabilities results in higher net investment income allocated. The earned yield was 5.20 percent in both of the first quarters of 2021 and 2020. Interest credited to policyholders may be changed annually but are subject to minimum guaranteed rates and, as a result, any reduction in our earned rate may not be 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 $4.8 million and $(16.6) million in the first quarters of 2021 and 2020, respectively.

Margin from traditional life business was $12.9 million in the first quarter of 2021, down 51 percent from 2020. Insurance policy income was $169.7 million in the first quarter of 2021, up 9.8 percent from the 2020 period, reflecting new sales and persistency in the block. Insurance policy benefits were $140.9 million in the first quarter of 2021, up 21 percent from the same period in 2020 due to growth in the block as well as unfavorable mortality from COVID-19. We estimate that the impact from death claims related to COVID-19 increased insurance policy benefits by approximately $12 million in the first quarter of 2021.

Allocated net investment income in the 2021 period was slightly higher than the 2020 period, as the growth in the block was partially offset by lower average investment yields in the 2021 period.

Advertising expense was $23.3 million in the first quarter of 2021, up $3.3 million from the comparable period in 2020. 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 March 31,	
	2021	2020
Collected premiums from annuity and interest-sensitive life products:		
Annuities	$ 325.4	$ 292.2
Interest-sensitive life	54.5	53.1
Total collected premiums from annuity and interest-sensitive life products	$ 379.9	$ 345.3

Collected premiums from annuity and interest-sensitive products increased 10 percent in the first quarter of 2021, compared to the first quarter of 2020, primarily due to higher premium collections from fixed index products.

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

	Three months ended March 31,	
	2021	2020
Net investment income	$ 338.2	$ 169.6
Allocated to product lines:		
Annuity	(115.7)	(117.4)
Health	(71.5)	(70.4)
Life	(35.8)	(34.3)
Equity returns credited to policyholder account balances	(42.5)	136.5
Amounts allocated to product lines and credited to policyholder account balances	(265.5)	(85.6)
Amount related to variable interest entities and other non-operating items	(7.8)	(11.6)
Interest expense on debt	(15.5)	(13.6)
Interest expense on investment borrowings	(2.7)	(9.1)
Less amounts credited to deferred compensation plans (offsetting investment income)	(3.7)	7.7
Total adjustments	(29.7)	(26.6)
Investment income not allocated to product lines	$ 43.0	$ 57.4

The above table reconciles net investment income to investment income not allocated to product lines. Such amount will generally 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); the earnings related to the investments underlying our COLI; and the amount of interest expense on investment borrowings.

Net Non-Operating Income (Loss):

The following summarizes our net non-operating income (loss) for the three months ending March 31, 2021 and 2020 (dollars in millions):

	Three months ended March 31,	
	2021	2020
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	$ 3.6	$ (63.7)
Net change in market value of investments recognized in earnings	(6.4)	(48.4)
Fair value changes related to agent deferred compensation plan	13.2	—
Fair value changes in embedded derivative liabilities (net of related amortization)	82.1	(66.7)
Other	.6	2.3
Net non-operating income (loss) before taxes	$ 93.1	$ (176.5)

Net realized investment gains, net of related amortization, in the first three months of 2021, were $3.6 million (net of related amortization) including the favorable change in the allowance for credit losses of $9.6 million which were recorded in earnings. Net realized investment losses in the first three months of 2020 were $63.7 million (net of related amortization) including an increase in the allowance for credit losses and other-than-temporary impairment losses of $55.4 million.

During the first three months of 2021 and 2020, we recognized a decrease in earnings of $6.4 million and $48.4 million, respectively, due to the net change in market value of investments recognized in earnings.

During the first three months of 2021, we recognized an increase in earnings of $13.2 million for the mark-to-market change in the agent deferred compensation plan liability which was impacted by changes in the underlying actuarial assumptions used to value the liability. We recognize the mark-to-market change in the estimated value of this liability through earnings as assumptions change.

During the first three months of 2021 and 2020, we recognized an increase (decrease) in earnings of $82.1 million and $(66.7) 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. 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. The increase in U.S. Treasury rates in the 2021 period was the primary factor in the change in estimated fair value of the embedded derivative liabilities while such U.S. Treasury rates decreased in the 2020 period.

Other non-operating items include earnings attributable to VIEs that we are required to consolidate, net of affiliated amounts. Such earnings are not indicative of, and are unrelated to, the Company's underlying fundamentals.

LIQUIDITY AND CAPITAL RESOURCES

Potential Future Impacts of COVID-19 Pandemic

We expect the potential impact of the pandemic on our future 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
- general economic impacts, driving: (i) potential impacts on net investment income due to changes in interest rates; (ii) the potential for credit deterioration and its impact on invested assets and capital; and (iii) potential impacts to reserves and deferred acquisition costs resulting from changes in interest rates, equity valuations, 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 taking into account these three things. 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 April 2021. These scenarios incorporate many assumptions. Actual conditions in future periods may differ materially from the assumptions used in modeling the two scenarios. In the first scenario, which assumes that vaccines are sufficient in achieving herd immunity in 2021 and the impacts of the pandemic trail off through 2021, we assumed approximately 360,000 additional deaths from the virus in 2021 in the United States and economic growth in 2021 compared to 2020. In the second scenario, which assumes that new variants of the virus emerge and the current vaccines are less effective or ineffective and the pandemic continues in the United States into 2022 and 2023, we assumed approximately 480,000 additional deaths from the virus in 2021 in the United States and lower levels of positive morbidity impact in 2021 compared to 2020. The second scenario also assumes lower gross domestic product and higher unemployment relative to the first scenario, negative alternative asset returns in 2021 and higher investment portfolio credit migration. Although the second scenario seems increasingly unlikely as COVID-19 infection rates, death rates and vaccination rates in the United States are trending favorably and the economy is improving, we continue to acknowledge the possibility that this scenario could occur.

The COVID-19 pandemic has impacted our consolidated sales volumes. In 2020, our sales of health and life insurance products (measured by new annualized premiums) across both our Consumer and Worksite Divisions decreased by 6 percent compared to 2019. The lower sales in 2020 will adversely impact our earnings in future periods. Such consolidated sales of health and life insurance products in the first quarter of 2021 were up 4 percent compared to the same period in 2020 reflecting positive sales momentum that we have experienced over the past three quarters.

In the first quarter of 2021, our Consumer Division life sales (new annualized premiums) increased by 34 percent compared to the same period in 2020. Sales of health products decreased by 18 percent compared to the same period in 2020. Collected premiums from our annuity products increased 11 percent in the first quarter of 2021 compared to the same period in 2020. As the economy has partially reopened and our customers and agents have become more accustomed to virtual transactions, overall sales in the Consumer Division have improved.

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 first quarter of 2021, our Worksite Division life and health sales (new annualized premiums) decreased 30 percent compared to the same period in 2020.

With respect to changes in mortality and morbidity, we estimate that COVID-19 could have a modestly net favorable impact on total insurance product margin during the remainder of 2021; and a modest net unfavorable impact in 2022, driven by an expected increase in healthcare claims post pandemic due to pent up demand during the pandemic. However, there remains significant uncertainty as to what may actually occur. In the first quarter of 2021, our margin on life insurance products reflected an estimated $19 million 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 $40 million in the first quarter of 2021, 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.

We expect persistency to have a neutral impact going forward in both of our scenarios. However, there remains a possibility that high unemployment in the second scenario 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. We believe our earnings over the long-term will be impacted by lower interest rates consistent with the assumptions reflected in our actuarial unlocking exercises in the second and fourth quarters of 2020. Refer to "Results of Operations - Changes in Actuarial Assumptions" in our 2020 Annual Report on Form 10-K for further information related to changes in certain actuarial assumptions and their impact on our operating results.

In the first scenario, we expect investment income allocated to product lines to be flat in 2021 compared to 2020 and investment income related to alternative investments to revert to a mean annualized return of 7 percent to 8 percent, with potentially higher returns given the current economic outlook. We also expect earnings from our fee income segment to be modestly favorable in 2021 compared to 2020. Total expenses allocated and not allocated to product lines in 2021 are expected to be comparable to 2020, excluding certain significant items related to legal and regulatory matters, asset impairments and transaction expenses related to the acquisition of DirectPath.

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, but modest, 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 the ongoing COVID-19 pandemic, 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 exhaustive set of possible outcomes resulting from the COVID-19 pandemic 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, the effectiveness of vaccines and the related economic impacts from the COVID-19 pandemic 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. and foreign governments and central banks 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 or continue to be effective. If the economic impact of the COVID-19 pandemic is ultimately worse than contemplated by our modeled scenarios, the impact to our business, results of operations, financial condition and liquidity could be significantly different than described above.

Our capital structure as of March 31, 2021 and December 31, 2020 was as follows (dollars in millions):

	March 31, 2021	December 31, 2020
Total capital:		
Corporate notes payable	$ 1,136.6	$ 1,136.2
Shareholders' equity:		
Common stock	1.3	1.3
Additional paid-in capital	2,457.8	2,544.5
Accumulated other comprehensive income	1,518.1	2,186.1
Retained earnings	883.5	752.3
Total shareholders' equity	4,860.7	5,484.2
Total capital	$ 5,997.3	$ 6,620.4

The following table summarizes certain financial ratios as of and for the three months ended March 31, 2021 and as of and for the year ended December 31, 2020:

	March 31, 2021	December 31, 2020
Book value per common share	$ 36.75	$ 40.54
Book value per common share, excluding accumulated other comprehensive income (a)	25.27	24.38
Debt to total capital ratios:		
Corporate debt to total capital	19.0 %	17.2 %
Corporate debt to total capital, excluding accumulated other comprehensive income (a)	25.4 %	25.6 %

(a) This non-GAAP measure differs from the corresponding GAAP measure presented immediately above, because accumulated other comprehensive income has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income. Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management. However, this measure does not replace the corresponding GAAP measure.

Liquidity for Insurance Operations

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

Three of the Company's insurance subsidiaries (Bankers Life, Washington National and Colonial Penn) are members of the FHLB. As members of the FHLB, our insurance subsidiaries have the ability to borrow on a collateralized basis from the FHLB. We are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At March 31, 2021, the carrying value of the FHLB common stock was $71.0 million. As of March 31, 2021, collateralized borrowings from the FHLB totaled $1.6 billion and the proceeds were used to purchase fixed maturity securities. The borrowings are classified as investment borrowings in the accompanying consolidated balance sheet. The borrowings are collateralized by investments with an estimated fair value of $2.0 billion at March 31, 2021, 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 407 percent at March 31, 2021, compared to 411 percent at December 31, 2020. In the first three months of 2021, our estimated consolidated statutory operating earnings were $40 million and insurance company dividends of $83.1 million were paid to the holding company. Our objective is to target a statutory RBC ratio in the 375 percent to 400 percent range over the long-term. Since the beginning of the pandemic, we have maintained a higher RBC ratio, relative to our target range, due to uncertainties surrounding the pandemic and its related economic impacts. As such uncertainties decrease over time, we expect to manage our RBC ratio within our targeted range.

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 A.M. Best Company ("A.M. Best"), Fitch Ratings ("Fitch"), 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 January 28, 2021, A.M. Best affirmed its "A-" financial strength ratings of our primary insurance subsidiaries and revised the outlook for these rating to positive from 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 December 17, 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 June 21, 2019, S&P upgraded the financial strength ratings of our primary insurance subsidiaries to "A-" from "BBB+" and the outlook for these ratings is stable. S&P financial strength ratings range from "AAA" to "R" and some companies are not rated. An insurer rated "A", in S&P's opinion, has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. Pluses and minuses show the relative standing within a category. S&P has twenty-one possible ratings. There are six ratings above the "A-" rating of our primary insurance subsidiaries and fourteen ratings that are below that rating.

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

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

Liquidity of the Holding Companies

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

At March 31, 2021, 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 $324.1 million. We expect to maintain a minimum of $150 million of holding company liquidity. Since the beginning of the pandemic in early 2020, we have maintained higher holding company liquidity levels, relative to our minimum target level, due to the uncertainties surrounding the pandemic and its related economic impacts. As such uncertainties decrease over time, we expect to manage our liquidity levels closer to our minimum target level of $150 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 ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations and is based on the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by regulatory authorities, which differ from GAAP. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company without regulatory approval for any 12-month period in amounts equal to the greater of (or in some states, the lesser of): (i) statutory net gain from operations or net income for the prior year; or (ii) 10 percent of statutory capital and surplus as of the end of the preceding year. However, as each of the immediate insurance subsidiaries of CDOC has significant negative earned surplus, any dividend payments from the insurance subsidiaries require the prior approval of the director or commissioner of the applicable state insurance department. In the first three months of 2021, our insurance subsidiaries paid dividends to CDOC totaling $83.1 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 348 percent at March 31, 2021. CDOC also holds a surplus debenture from Colonial Penn with a principal balance of $160.0 million. Interest payments on that surplus debenture require prior approval by the Pennsylvania state insurance department. Dividends and other payments from our non-insurance subsidiaries, including 40|86 Advisors, Inc. and CNO Services, LLC, to CNO or CDOC do not require approval by any regulatory authority or other third party. However, insurance regulators may prohibit payments by our insurance subsidiaries to parent companies if they determine that such payments could be adverse to our policyholders or contractholders.

The insurance subsidiaries of CDOC receive funds to pay dividends primarily from: (i) the earnings of their direct businesses; (ii) tax sharing payments received from subsidiaries (if applicable); and (iii) with respect to CLTX, dividends received from subsidiaries. At March 31, 2021, the subsidiaries of CLTX had earned surplus (deficit) as summarized below (dollars in millions):

Subsidiaries of CLTX	Earned surplus (deficit)	Additional information
Bankers Life	$ 265.3	(a)
Colonial Penn	(391.9)	(b)

(a) Bankers Life paid dividends of $45.0 million to CLTX in the first three months of 2021. 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 reinsurance transactions, and these decisions could limit the amount available at our top tier insurance subsidiaries to pay dividends to the holding companies.

At March 31, 2021, 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 three months of 2021, we generated $101 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. Our current estimate of free cash flow generation in 2021, combined with holding company liquidity, is expected to result in share repurchase capacity that exceeds our actual share repurchase activity in 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 flow, the current price of our common stock and investment opportunities. In the first three months of 2021, we repurchased 4.1 million shares of common stock for $100.0 million under our securities repurchase program (including $2.2 million of repurchases settled in the second quarter of 2021). The Company had remaining repurchase authority of $169.3 million as of March 31, 2021. In May 2021, the Company's Board of Directors approved an additional $500.0 million to repurchase the Company's outstanding shares of common stock. Also, in the first quarter of 2021, the Company purchased DirectPath (as further described in the note to the consolidated financial statements entitled "Business and Basis of Presentation") utilizing $51 million of holding company liquidity.

In the first three months of 2021, dividends declared on common stock totaled $16.2 million ($0.12 per common share). In May 2021, the Company increased its quarterly common stock dividend to $0.13 per share from $0.12 per share.

On January 28, 2021, A.M. Best affirmed its "bbb-" issuer credit and senior unsecured debt ratings and revised the outlook for these ratings to positive from 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 December 17, 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 June 21, 2019, S&P upgraded our senior unsecured debt rating to "BBB-" from "BB+" and the outlook for these ratings is stable. In S&P's view, an obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. Pluses and minuses show the relative standing within a category. S&P has a total of 22 possible ratings ranging from "AAA (Extremely Strong)" to "D (Payment Default)". There are nine ratings above CNO's "BBB-" rating and twelve ratings that are below its rating.

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

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

INVESTMENTS

At March 31, 2021, 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	$ 11,717.8	$ 1,676.6	$ (48.7)	$ (2.6)	$ 13,343.1
United States Treasury securities and obligations of United States government corporations and agencies	163.6	40.2	(1.0)	—	202.8
States and political subdivisions	2,354.3	245.4	(10.6)	(.2)	2,588.9
Foreign governments	82.1	10.8	(.1)	—	92.8
Asset-backed securities	941.9	38.6	(.9)	—	979.6
Agency residential mortgage-backed securities	48.0	5.1	—	—	53.1
Non-agency residential mortgage-backed securities	883.7	36.4	(2.0)	—	918.1
Collateralized loan obligations	462.4	2.6	(.9)	—	464.1
Commercial mortgage-backed securities	1,797.2	94.7	(3.3)	—	1,888.6
Total investment grade fixed maturities, available for sale	18,451.0	2,150.4	(67.5)	(2.8)	20,531.1
Below-investment grade (a) (b):					
Corporate securities	777.0	46.5	(4.9)	(2.3)	816.3
States and political subdivisions	12.5	—	—	(.2)	12.3
Foreign governments	.2	—	—	—	.2
Asset-backed securities	96.9	2.6	(2.6)	—	96.9
Non-agency residential mortgage-backed securities	920.1	139.7	(.8)	—	1,059.0
Commercial mortgage-backed securities	93.9	2.0	(1.3)	—	94.6
Total below-investment grade fixed maturities, available for sale	1,900.6	190.8	(9.6)	(2.5)	2,079.3
Total fixed maturities, available for sale	$ 20,351.6	$ 2,341.2	$ (77.1)	$ (5.3)	$ 22,610.4

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

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

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

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

A summary of our fixed maturity securities, available for sale, by NAIC designations (or for fixed maturity securities held by non-regulated entities, based on NRSRO ratings) as of March 31, 2021 is as follows (dollars in millions):

NAIC designation	Amortized cost	Estimated fair value	Percentage of total estimated fair value
1	$ 11,054.5	$ 12,228.4	54.1 %
2	8,189.5	9,223.1	40.8
Total NAIC 1 and 2 (investment grade)	19,244.0	21,451.5	94.9
3	822.2	873.1	3.9
4	261.4	262.5	1.1
5	23.0	23.3	.1
6	1.0	—	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	1,107.6	1,158.9	5.1
Total	$ 20,351.6	$ 22,610.4	100.0 %

Fixed Maturity Securities, Available for Sale

The following table summarizes the carrying values and gross unrealized losses of our fixed maturity securities, available for sale, by category as of March 31, 2021 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
States and political subdivisions	$ 2,601.2	11.5 %	$ 10.6	13.8 %
Commercial mortgage-backed securities	1,983.2	8.8	4.6	6.0
Non-agency residential mortgage-backed securities	1,977.1	8.7	2.8	3.6
Banks	1,599.5	7.1	5.0	6.5
Insurance	1,567.7	6.9	11.5	15.0
Utilities	1,527.7	6.8	4.9	6.4
Healthcare/pharmaceuticals	1,437.7	6.4	6.6	8.5
Asset-backed securities	1,076.5	4.8	3.5	4.6
Food/beverage	961.7	4.3	3.4	4.4
Technology	855.2	3.8	4.8	6.2
Brokerage	839.0	3.7	2.5	3.3
Energy	804.3	3.6	2.8	3.6
Telecom	519.1	2.3	1.0	1.3
Transportation	516.1	2.3	.4	.5
Cable/media	478.3	2.1	1.9	2.5
Collateralized loan obligations	464.1	2.1	.9	1.1
Capital goods	435.0	1.9	—	—
Real estate/REITs	432.3	1.9	2.0	2.6
Chemicals	372.4	1.6	.2	.3
Aerospace/defense	240.8	1.1	1.4	1.8
Other	1,921.5	8.3	6.3	8.0
Total fixed maturities, available for sale	$ 22,610.4	100.0 %	$ 77.1	100.0 %

Below-Investment Grade Securities

At March 31, 2021, the amortized cost of the Company's below-investment grade fixed maturity securities, available for sale, was $1,900.6 million, or 9.3 percent of the Company's fixed maturity portfolio (or $1,107.6 million, or 5.4 percent, of the Company's fixed maturity portfolio measured on credit quality ratings assigned by the NAIC). The estimated fair value of the below-investment grade portfolio was $2,079.3 million, or 109 percent of the amortized cost.

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

Net Realized and Unrealized Investment Losses

During the first three months of 2021, the $13.8 million of realized losses on sales of $215.5 million of fixed maturity securities, available for sale were related to various corporate securities. 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; (ii) expectation that the market value could deteriorate; (iii) our desire to reduce our exposure to an asset class, an issuer or an industry; (iv) prospective or actual changes in credit quality; or (v) changes in expected portfolio cash flows.

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

There were no investments sold at a loss during the first three months of 2021 which had been continuously in an unrealized loss position exceeding 20 percent of the amortized cost basis prior to the sale.

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

The following table sets forth the amortized cost and estimated fair value of those fixed maturities, available for sale, with unrealized losses at March 31, 2021, 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	$ 8.0	$ 8.0
Due after one year through five years	45.6	44.0
Due after five years through ten years	169.4	165.9
Due after ten years	1,446.8	1,381.3
Subtotal	1,669.8	1,599.2
Structured securities	804.9	793.1
Total	$ 2,474.7	$ 2,392.3

There were no investments in our portfolio rated below-investment grade not deemed to have credit losses which had been continuously in an unrealized loss position exceeding 20 percent of the cost basis.

The following table summarizes the gross unrealized losses of our fixed maturity securities, available for sale, by category and ratings category as of March 31, 2021 (dollars in millions):

	Investment grade		Below-investment grade		
	AAA/AA/A	BBB	BB	B+ and below	Total gross unrealized losses
Insurance	$ 6.9	$ 4.0	$ .6	$ —	$ 11.5
States and political subdivisions	9.7	.9	—	—	10.6
Healthcare/pharmaceuticals	3.9	1.3	—	1.4	6.6
Banks	1.3	3.7	—	—	5.0
Utilities	2.3	2.6	—	—	4.9
Technology	1.6	3.1	—	.1	4.8
Commercial mortgage-backed securities	2.9	.4	1.3	—	4.6
Asset-backed securities	.4	.5	.2	2.4	3.5
Food/beverage	—	3.3	.1	—	3.4
Non-agency residential mortgage-backed securities	.5	1.5	.7	.1	2.8
Energy	—	.4	2.4	—	2.8
Brokerage	1.5	1.0	—	—	2.5
Real estate/REITs	1.9	.1	—	—	2.0
Cable/media	—	1.8	.1	—	1.9
Consumer products	.8	.7	.2	—	1.7
Aerospace/defense	—	1.4	—	—	1.4
Telecom	—	1.0	—	—	1.0
United States Treasury securities and obligations of United States government corporations and agencies	1.0	—	—	—	1.0
Other	1.9	3.2	—	—	5.1
Total fixed maturities, available for sale	$ 36.6	$ 30.9	$ 5.6	$ 4.0	$ 77.1

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

Structured Securities

At March 31, 2021, fixed maturity investments included structured securities with an estimated fair value of $5.6 billion (or 24.6 percent of all fixed maturity securities). The yield characteristics of structured securities generally differ in some respects from those of traditional corporate fixed-income securities or government securities. For example, interest and principal payments on structured securities may occur more frequently, often monthly. In many instances, we are subject to variability in the amount and timing of principal and interest payments. For example, in many cases, partial prepayments may occur at the option of the issuer and prepayment rates are influenced by a number of factors that cannot be predicted with certainty, including: the relative sensitivity of prepayments on the underlying assets backing the security to changes in interest rates and asset values; the availability of alternative financing; a variety of economic, geographic and other factors; the timing, pace and proceeds of liquidations of defaulted collateral; and various security-specific structural considerations (for example, the repayment priority of a given security in a securitization structure). In addition, the total amount of payments for non-agency structured securities may be affected by changes to cumulative default rates or loss severities of the related collateral.

The amortized cost and estimated fair value of structured securities at March 31, 2021, 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	$ 1,038.8	$ 1,076.5	4.8 %
Agency residential mortgage-backed securities	48.0	53.1	.2
Non-agency residential mortgage-backed securities	1,803.8	1,977.1	8.7
Collateralized loan obligations	462.4	464.1	2.1
Commercial mortgage-backed securities	1,891.1	1,983.2	8.8
Total structured securities	$ 5,244.1	$ 5,554.0	24.6 %

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

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

INVESTMENTS IN VARIABLE INTEREST ENTITIES

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

	Three months ended March 31,	
	2021	2020
Revenues:		
Net investment income – policyholder and other special-purpose portfolios	$ 11.8	$ 11.6
Fee revenue and other income	1.3	(.9)
Total revenues	13.1	10.7
Expenses:		
Interest expense	5.9	10.7
Other operating expenses	.4	.3
Total expenses	6.3	11.0
Income (loss) before net realized investment gains (losses) and income taxes	6.8	(.3)
Net realized investment gains (losses)	4.1	(30.1)
Income (loss) before income taxes	$ 10.9	$ (30.4)

Supplemental Information on Investments Held by VIEs

The following table summarizes the carrying values of the investments held by the VIEs by category as of March 31, 2021 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Healthcare/pharmaceuticals	$ 153.8	12.6 %	$ .9	11.7 %
Technology	142.6	11.6	.6	8.2
Cable/media	128.5	10.5	.9	11.0
Food/beverage	94.3	7.7	.7	8.7
Capital goods	71.2	5.8	.6	7.6
Consumer products	57.8	4.7	.6	7.5
Paper	57.2	4.7	.4	4.6
Building materials	56.4	4.6	.1	1.8
Aerospace/defense	53.7	4.4	.3	4.3
Chemicals	51.1	4.2	.2	2.6
Brokerage	48.9	4.0	.2	2.8
Insurance	35.8	2.9	.2	2.7
Autos	35.1	2.9	.2	2.1
Utilities	33.1	2.7	.3	3.4
Transportation	30.9	2.5	.1	.9
Gaming	22.8	1.9	.3	3.7
Retail	18.6	1.5	.1	1.6
Business services	14.7	1.2	.1	1.7
Other	117.5	9.6	1.1	13.1
Total	$ 1,224.0	100.0 %	$ 7.9	100.0 %

The following table sets forth the amortized cost and estimated fair value of those investments held by the VIEs with unrealized losses at March 31, 2021, 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	$ 6.6	$ 5.7
Due after one year through five years	569.8	560.1
Due after five years through ten years	367.7	365.0
Total	$ 944.1	$ 930.8

The following summarizes the investments sold at a loss during the first three months of 2021 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
Greater than or equal to 6 months and less than 12 months prior to sale	3	4.1	3.0

There were no investments in our portfolio rated below-investment grade not deemed to have credit losses 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, 2020. There have been no material changes in the first three months of 2021 to such risks or our management of such risks.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. CNO's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of CNO's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on its evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, CNO's disclosure controls and procedures were effective to ensure that information required to be disclosed by CNO in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes to Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the three months ended March 31, 2021, 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. Any or all of such risks 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, 2020, for further discussion of such risk factors. There have been no material changes from such previously disclosed risk factors.

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

Issuer Purchases of Equity Securities

Period (in 2021)	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (a)
				(dollars in millions)
January 1 through January 31	512,294	$ 22.70	511,805	$ 257.7
February 1 through February 28	1,299,969	23.44	1,212,310	229.2
March 1 through March 31	2,499,223	25.11	2,384,998	169.3
Total	4,311,486	24.32	4,109,113	169.3

(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 May 2021 when it authorized the repurchase of an additional $500.0 million of the Company's outstanding shares of common stock.

ITEM 6. EXHIBITS.

10.1	Form of restricted stock unit award agreement for 2021 under the Amended and Restated Long-Term Incentive Plan.
10.2	Form of performance stock unit award agreement for 2021 under the Amended and Restated Long-Term Incentive 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.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CNO FINANCIAL GROUP, INC.

Dated: May 7, 2021

By: /s/ John R. Kline

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

Exhibit 10.1

CNO FINANCIAL GROUP, INC.

Re: Grant of Restricted Stock Unit Award

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

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

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

3. Vesting of Restricted Shares.

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

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

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

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

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

4. Forfeiture of Restricted Shares.

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

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

5. Dividend, Voting and Other Rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

CNO FINANCIAL GROUP, INC.

By: Yvonne K. Franzese, Chief Human Resources Officer

Exhibit 10.2

CNO FINANCIAL GROUP, INC.

Re: Grant of Performance Share Award

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

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

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

3. Vesting of Performance Shares.

(a) The Performance Shares shall vest (in whole or in part) based upon satisfying the vesting criteria set forth on Schedule A-1 of the Award Summary. Except as set forth below, underlying shares of Common Stock shall be issued to you only if you remain employed by the Company or a Subsidiary through the vesting date of the Performance Shares, which is anticipated to occur no later than March 15, 2024. Decisions regarding vesting and payment of the Performance Shares shall be final as determined by the Committee in its sole and absolute discretion.

(b) If you elect to terminate your employment with the Company or a Subsidiary and you satisfy the definition of Retirement set forth in the Plan, or if your employment is terminated by the Company or a Subsidiary for any reason other than Cause, death or Disability (unless the termination is in connection with a Change in Control), then a pro rata portion of the Performance Shares shall vest (based on the number of days from January 1, 2021 to and including the date of your Retirement divided by 1,095) and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive shares of Common Stock under this award.

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

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

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

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

5. Dividend, Voting and Other Rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

CNO FINANCIAL GROUP, INC.

By: Yvonne K. Franzese, Chief Human Resources Officer

Exhibit 31.1

CERTIFICATION

I, Gary C. Bhojwani, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2021

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

Exhibit 31.2

CERTIFICATION

I, Paul H. McDonough, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 7, 2021

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

Exhibit 32.1

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

In connection with the Quarterly Report of CNO Financial Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary C. Bhojwani, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

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

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

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

May 7, 2021

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

Exhibit 32.2

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

In connection with the Quarterly Report of CNO Financial Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul H. McDonough, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

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

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

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

May 7, 2021

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.