

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, 2022

☐

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 21, 2022: 115,888,908

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Page

Item 1.	Financial Statements (unaudited)	
	<u>Consolidated Balance Sheet as of March 31, 2022 and December 31, 2021</u>	<u>3</u>
	<u>Consolidated Statement of Operations for the three months ended March 31, 2022 and 2021</u>	<u>5</u>
	<u>Consolidated Statement of Comprehensive Income (Loss) for the three months ended March 31, 2022 and 2021</u>	<u>6</u>
	<u>Consolidated Statement of Shareholders' Equity for the three months ended March 31, 2022 and 2021</u>	<u>7</u>
	<u>Consolidated Statement of Cash Flows for the three months ended March 31, 2022 and 2021</u>	<u>8</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
Item 2.	<u>Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations</u>	<u>50</u>
	<u>Cautionary Statement Regarding Forward-Looking Statements</u>	<u>50</u>
	<u>Overview</u>	<u>52</u>
	<u>Critical Accounting Policies</u>	<u>55</u>
	<u>Results of Operations</u>	<u>56</u>
	<u>Liquidity and Capital Resources</u>	<u>67</u>
	<u>Investments</u>	<u>73</u>
	<u>Investments in Variable Interest Entities</u>	<u>78</u>
	<u>New Accounting Standards</u>	<u>80</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>80</u>
Item 4.	<u>Controls and Procedures</u>	<u>80</u>
PART II - OTHER INFORMATION		
Item 1.	<u>Legal Proceedings</u>	<u>81</u>
Item 1A.	<u>Risk Factors</u>	<u>81</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>81</u>
Item 6.	<u>Exhibits</u>	<u>82</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

(Dollars in millions)
(unaudited)

ASSETS

	March 31, 2022	December 31, 2021
Investments:		
Fixed maturities, available for sale, at fair value (net of allowance for credit losses: March 31, 2022 - \$36.6 and December 31, 2021 - \$7.6; amortized cost: March 31, 2022 - \$22,989.3 and December 31, 2021 - \$21,867.6)	\$ 23,479.4	\$ 24,805.4
Equity securities at fair value	91.0	131.1
Mortgage loans (net of allowance for credit losses: March 31, 2022 - \$5.1 and December 31, 2021 - \$5.6)	1,213.3	1,218.6
Policy loans	119.5	120.2
Trading securities	223.0	227.2
Investments held by variable interest entities (net of allowance for credit losses: March 31, 2022 - \$5.9 and December 31, 2021 - \$3.7; amortized cost: March 31, 2022 - \$1,198.9 and December 31, 2021 - \$1,206.8)	1,180.8	1,199.6
Other invested assets	1,121.8	1,224.0
Total investments	27,428.8	28,926.1
Cash and cash equivalents - unrestricted	546.0	632.1
Cash and cash equivalents held by variable interest entities	48.0	99.6
Accrued investment income	227.9	216.4
Present value of future profits	222.8	222.6
Deferred acquisition costs	1,487.6	1,112.0
Reinsurance receivables (net of allowance for credit losses: March 31, 2022 - \$3.0 and December 31, 2021 - \$3.0)	4,298.2	4,354.3
Income tax assets, net	534.2	118.3
Assets held in separate accounts	3.6	3.9
Other assets	671.0	519.1
Total assets	\$ 35,468.1	\$ 36,204.4

(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, 2022	December 31, 2021
Liabilities:		
Liabilities for insurance products:		
Policyholder account liabilities	\$ 14,546.3	\$ 13,689.7
Future policy benefits	11,646.5	11,670.7
Liability for policy and contract claims	507.3	501.8
Unearned and advanced premiums	250.0	246.7
Liabilities related to separate accounts	3.6	3.9
Other liabilities	912.3	830.9
Investment borrowings	1,640.5	1,715.8
Borrowings related to variable interest entities	1,133.1	1,147.9
Notes payable – direct corporate obligations	1,137.6	1,137.3
Total liabilities	31,777.2	30,944.7
Commitments and Contingencies		
Shareholders' equity:		
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: March 31, 2022 – 117,241,006; December 31, 2021 – 120,377,152)	1.2	1.2
Additional paid-in capital	2,085.7	2,184.2
Accumulated other comprehensive income	380.5	1,947.1
Retained earnings	1,223.5	1,127.2
Total shareholders' equity	3,690.9	5,259.7
Total liabilities and shareholders' equity	\$ 35,468.1	\$ 36,204.4

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,	
	2022	2021
Revenues:		
Insurance policy income	\$ 625.0	\$ 632.4
Net investment income:		
General account assets	277.5	282.7
Policyholder and other special-purpose portfolios	(69.3)	55.5
Investment gains (losses):		
Realized investment gains (losses)	18.8	(6.0)
Other investment gains (losses)	(51.5)	3.2
Total investment losses	(32.7)	(2.8)
Fee revenue and other income	42.4	38.2
Total revenues	842.9	1,006.0
Benefits and expenses:		
Insurance policy benefits	346.7	459.1
Interest expense	23.8	24.1
Amortization	103.9	99.7
Other operating costs and expenses	219.2	233.1
Total benefits and expenses	693.6	816.0
Income before income taxes	149.3	190.0
Income tax expense on period income	37.0	42.6
Net income	\$ 112.3	\$ 147.4
Earnings per common share:		
Basic:		
Weighted average shares outstanding	118,622,000	134,140,000
Net income	\$.95	\$ 1.10
Diluted:		
Weighted average shares outstanding	121,002,000	136,653,000
Net income	\$.93	\$ 1.08

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

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

	Three months ended March 31,	
	2022	2021
Net income	\$ 112.3	\$ 147.4
Other comprehensive income (loss), before tax:		
Unrealized losses on investments	(2,435.1)	(1,198.2)
Adjustment to present value of future profits and deferred acquisition costs	257.5	83.6
Amount related to premium deficiencies assuming the net unrealized losses had been realized	165.0	262.5
Reclassification adjustments:		
For net realized investment (gains) losses included in net income	7.8	(.5)
For amortization of the present value of future profits and deferred acquisition costs related to net realized investment (gains) losses included in net income	(.1)	—
Other comprehensive loss before tax	(2,004.9)	(852.6)
Income tax benefit related to items of accumulated other comprehensive income	438.3	184.6
Other comprehensive loss, net of tax	(1,566.6)	(668.0)
Comprehensive loss	\$ (1,454.3)	\$ (520.6)

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

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

	Common stock		Additional	Accumulated other	Retained	Total
	Shares	Amount	paid-in capital	comprehensive income	earnings	
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	<u>132,268</u>	<u>\$ 1.3</u>	<u>\$ 2,457.8</u>	<u>\$ 1,518.1</u>	<u>\$ 883.5</u>	<u>\$ 4,860.7</u>
Balance, December 31, 2021	120,377	\$ 1.2	\$ 2,184.2	\$ 1,947.1	\$ 1,127.2	\$ 5,259.7
Net income	—	—	—	—	112.3	112.3
Change in unrealized appreciation (depreciation) of investments (net of applicable income tax benefit of \$438.3)	—	—	—	(1,566.6)	—	(1,566.6)
Common stock repurchased	(4,057)	—	(100.0)	—	—	(100.0)
Dividends on common stock	—	—	—	—	(16.0)	(16.0)
Employee benefit plans, net of shares used to pay tax withholdings	921	—	1.5	—	—	1.5
Balance, March 31, 2022	<u>117,241</u>	<u>\$ 1.2</u>	<u>\$ 2,085.7</u>	<u>\$ 380.5</u>	<u>\$ 1,223.5</u>	<u>\$ 3,690.9</u>

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,	
	2022	2021
Cash flows from operating activities:		
Insurance policy income	\$ 580.8	\$ 598.9
Net investment income	260.5	251.1
Fee revenue and other income	49.8	38.2
Insurance policy benefits	(416.8)	(427.2)
Interest expense	(9.7)	(10.5)
Deferrable policy acquisition costs	(82.8)	(70.7)
Other operating costs	(310.8)	(273.7)
Income taxes	(14.6)	(16.7)
Net cash from operating activities	56.4	89.4
Cash flows from investing activities:		
Sales of investments	1,520.6	509.2
Maturities and redemptions of investments	494.9	754.9
Purchases of investments	(2,995.2)	(1,530.3)
Net sales (purchases) of trading securities	(17.3)	(14.2)
Other	(13.3)	(53.6)
Net cash used by investing activities	(1,010.3)	(334.0)
Cash flows from financing activities:		
Issuance of common stock	4.0	12.4
Payments to repurchase common stock	(109.8)	(102.7)
Common stock dividends paid	(16.1)	(16.3)
Amounts received for deposit products	1,392.6	444.9
Withdrawals from deposit products	(364.2)	(345.7)
Issuance of investment borrowings:		
Federal Home Loan Bank	—	200.0
Payments on investment borrowings:		
Federal Home Loan Bank	(75.3)	(200.5)
Related to variable interest entities	(15.0)	(.5)
Net cash provided (used) by financing activities	816.2	(8.4)
Net decrease in cash and cash equivalents	(137.7)	(253.0)
Cash and cash equivalents - unrestricted and held by variable interest entities, beginning of period	731.7	991.9
Cash and cash equivalents - unrestricted and held by variable interest entities, end of period	\$ 594.0	\$ 738.9

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

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

BUSINESS AND BASIS OF PRESENTATION

The following notes should be read together with the notes to the consolidated financial statements included in our 2021 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 2022 presentation. These reclassifications have no effect on net income or shareholders' equity. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

The balance sheet at December 31, 2021, 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.

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 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 other investment gains (losses).

We review our available for sale fixed maturity securities with unrealized losses to determine whether such impairments are the result of credit losses. We analyze various factors to make such determinations including, but not limited to: (i) actions

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

taken by rating agencies; (ii) default by the issuer; (iii) the significance of the decline; (iv) an assessment of our intent to sell the security before recovering the security's amortized cost; (v) an economic analysis of the issuer's industry; and (vi) the financial strength, liquidity, and recoverability of the issuer. We perform a security by security review each quarter to evaluate whether a credit loss has occurred.

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

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 it is 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 other 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, 2022 and December 31, 2021, were as follows (dollars in millions):

	March 31, 2022	December 31, 2021
Net unrealized gains on investments having no allowance for credit losses	\$ 900.8	\$ 2,963.3
Unrealized losses on investments with an allowance for credit losses	(387.9)	(23.1)
Adjustment to present value of future profits (a)	(.4)	(8.3)
Adjustment to deferred acquisition costs	(31.2)	(420.2)
Adjustment to insurance liabilities	—	(25.5)
Deferred income tax liabilities	(100.8)	(539.1)
Accumulated other comprehensive income	<u>\$ 380.5</u>	<u>\$ 1,947.1</u>

(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 Consecro, Inc., an Indiana corporation, emerged from bankruptcy.

At December 31, 2021, adjustments to the present value of future profits, deferred acquisition costs, insurance liabilities and deferred tax assets included \$(7.3) million, \$(132.2) million, \$(25.5) million and \$35.8 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. There were no such adjustments at March 31, 2022.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

At March 31, 2022, 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	\$ 13,932.6	\$ 847.4	\$ (380.4)	\$ (35.6)	\$ 14,364.0
United States Treasury securities and obligations of United States government corporations and agencies	168.0	31.1	(2.5)	—	196.6
States and political subdivisions	2,646.0	155.7	(102.2)	(.8)	2,698.7
Foreign governments	78.2	5.1	(2.6)	(.1)	80.6
Asset-backed securities	1,189.7	8.0	(34.8)	(.1)	1,162.8
Agency residential mortgage-backed securities	33.9	1.8	—	—	35.7
Non-agency residential mortgage-backed securities	1,826.6	112.0	(54.3)	—	1,884.3
Collateralized loan obligations	689.2	.9	(6.7)	—	683.4
Commercial mortgage-backed securities	2,425.1	11.7	(63.5)	—	2,373.3
Total fixed maturities, available for sale	<u>\$ 22,989.3</u>	<u>\$ 1,173.7</u>	<u>\$ (647.0)</u>	<u>\$ (36.6)</u>	<u>\$ 23,479.4</u>

At December 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	\$ 13,195.4	\$ 2,284.5	\$ (21.7)	\$ (7.4)	\$ 15,450.8
United States Treasury securities and obligations of United States government corporations and agencies	166.2	54.3	(.9)	—	219.6
States and political subdivisions	2,649.0	356.7	(1.5)	—	3,004.2
Foreign governments	85.4	13.6	(.3)	(.2)	98.5
Asset-backed securities	1,129.0	37.0	(3.1)	—	1,162.9
Agency residential mortgage-backed securities	36.7	3.7	—	—	40.4
Non-agency residential mortgage-backed securities	1,870.4	156.5	(3.1)	—	2,023.8
Collateralized loan obligations	587.3	2.3	(1.3)	—	588.3
Commercial mortgage-backed securities	2,148.2	77.9	(9.2)	—	2,216.9
Total fixed maturities, available for sale	<u>\$ 21,867.6</u>	<u>\$ 2,986.5</u>	<u>\$ (41.1)</u>	<u>\$ (7.6)</u>	<u>\$ 24,805.4</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at March 31, 2022, 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	\$ 60.6	\$ 59.0
Due after one year through five years	1,561.7	1,557.9
Due after five years through ten years	2,292.6	2,266.7
Due after ten years	12,909.9	13,456.3
Subtotal	16,824.8	17,339.9
Structured securities	6,164.5	6,139.5
Total fixed maturities, available for sale	\$ 22,989.3	\$ 23,479.4

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at December 31, 2021, by contractual maturity.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	\$ 80.3	\$ 80.5
Due after one year through five years	1,147.4	1,205.6
Due after five years through ten years	1,458.4	1,573.7
Due after ten years	13,409.9	15,913.3
Subtotal	16,096.0	18,773.1
Structured securities	5,771.6	6,032.3
Total fixed maturities, available for sale	\$ 21,867.6	\$ 24,805.4

Gross Unrealized Investment Losses

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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at March 31, 2022 (dollars in millions):

Description of securities	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	\$ 993.4	\$ (54.5)	\$ 17.4	\$ (1.4)	\$ 1,010.8	\$ (55.9)
United States Treasury securities and obligations of United States government corporations and agencies	16.8	(.6)	17.7	(1.9)	34.5	(2.5)
States and political subdivisions	487.0	(43.4)	—	—	487.0	(43.4)
Foreign governments	3.0	(.1)	—	—	3.0	(.1)
Asset-backed securities	765.6	(32.8)	17.2	(.8)	782.8	(33.6)
Agency residential mortgage-backed securities	.6	—	—	—	.6	—
Non-agency residential mortgage-backed securities	849.6	(54.4)	1.7	—	851.3	(54.4)
Collateralized loan obligations	471.7	(6.0)	48.0	(.7)	519.7	(6.7)
Commercial mortgage-backed securities	1,567.6	(59.4)	47.5	(4.1)	1,615.1	(63.5)
Total fixed maturities, available for sale	\$ 5,155.3	\$ (251.2)	\$ 149.5	\$ (8.9)	\$ 5,304.8	\$ (260.1)

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, 2021 (dollars in millions):

Description of securities	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate securities	\$ 87.8	\$ (.4)	\$ 9.2	\$ (.1)	\$ 97.0	\$ (.5)
United States Treasury securities and obligations of United States government corporations and agencies	5.7	—	18.7	(.9)	24.4	(.9)
States and political subdivisions	47.3	(.4)	—	—	47.3	(.4)
Asset-backed securities	210.8	(2.4)	17.8	(.7)	228.6	(3.1)
Non-agency residential mortgage-backed securities	380.8	(3.1)	2.3	—	383.1	(3.1)
Collateralized loan obligations	271.5	(1.2)	32.8	(.1)	304.3	(1.3)
Commercial mortgage-backed securities	694.7	(7.6)	41.4	(1.6)	736.1	(9.2)
Total fixed maturities, available for sale	\$ 1,698.6	\$ (15.1)	\$ 122.2	\$ (3.4)	\$ 1,820.8	\$ (18.5)

Based on management's current assessment of investments with unrealized losses at March 31, 2022, 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

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

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, 2022 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Asset-backed securities	Total
Allowance at December 31, 2021	\$ 7.4	\$ —	\$.2	\$ —	\$ 7.6
Additions for securities for which credit losses were not previously recorded	14.0	.3	.1	—	14.4
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	14.6	.5	(.2)	.1	15.0
Reduction for securities sold during the period	(.4)	—	—	—	(.4)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at March 31, 2022	<u>\$ 35.6</u>	<u>\$.8</u>	<u>\$.1</u>	<u>\$.1</u>	<u>\$ 36.6</u>

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

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	<u>\$ 4.9</u>	<u>\$.4</u>	<u>\$ 5.3</u>

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, 2022, the mortgage loan balance was primarily comprised of commercial mortgage loans and there were no commercial mortgage loans in process of foreclosure. At March 31, 2022, we held residential mortgage loan investments with an amortized cost and fair value of \$41.8 million and \$42.2 million, respectively. At March 31, 2022, there were 12 residential mortgage loans that were noncurrent with a carrying value of \$4.0 million (of which, 6 such loans with a carrying value of \$2.3 million were in forbearance and one loan with a carrying value of \$0.1 million was in foreclosure). There were no other mortgage loans that were noncurrent at March 31, 2022.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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, 2022 (dollars in millions):

Loan-to-value ratio (a)	2022	2021	2020	2019	2018	Prior	Total amortized cost	Estimated fair value	
								Mortgage loans	Collateral
Less than 60%	\$ 76.6	\$ 138.8	\$ 27.9	\$ 88.8	\$ 100.8	\$ 592.8	\$ 1,025.7	\$ 1,031.5	\$ 4,108.4
60% to less than 70%	7.9	22.2	5.8	—	—	46.9	82.8	79.1	127.9
70% to less than 80%	—	—	12.4	—	8.3	12.1	32.8	31.3	45.4
80% to less than 90%	—	—	—	—	—	35.2	35.2	32.1	43.0
Total	<u>\$ 84.5</u>	<u>\$ 161.0</u>	<u>\$ 46.1</u>	<u>\$ 88.8</u>	<u>\$ 109.1</u>	<u>\$ 687.0</u>	<u>\$ 1,176.5</u>	<u>\$ 1,174.0</u>	<u>\$ 4,324.7</u>

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

The following table summarizes changes in the allowance for credit losses related to mortgage loans (dollars in millions):

	Three months ended March 31,	
	2022	2021
Allowance at the beginning of the period	\$ 5.6	\$ 11.8
Current period provision for expected credit losses	(.5)	(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 at the end of the period	<u>\$ 5.1</u>	<u>\$ 8.8</u>

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

Total Investment Gains (Losses)

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

	Three months ended March 31,	
	2022	2021
Realized investment gains (losses):		
Gross realized gains on sale	\$ 54.8	\$ 13.2
Gross realized losses on sale	(30.6)	(13.8)
Equity securities, net	(4.7)	—
Other, net	(.7)	(5.4)
Total realized investment gains (losses)	18.8	(6.0)
Change in allowance for credit losses (a)	(30.7)	9.6
Change in fair value of equity securities (b)	(1.2)	(1.8)
Other changes in fair value (c)	(19.6)	(4.6)
Other investment gains (losses)	(51.5)	3.2
Total investment losses	\$ (32.7)	\$ (2.8)

- (a) Changes in the allowance for credit losses includes \$(2.2) million and \$9.7 million in the three months ended March 31, 2022 and 2021, respectively, related to investments held by variable interest entities ("VIEs").
- (b) Changes in the estimated fair value of equity securities (that are still held as of the end of the respective periods) were \$(5.2) million and \$(1.3) million for the three months ended March 31, 2022 and 2021, respectively.
- (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 \$(12.8) million and \$(1.6) million in the three months ended March 31, 2022 and 2021, respectively.

During the first three months of 2022, we recognized net investment losses of \$32.7 million, which were comprised of: (i) \$23.5 million of net gains from the sales of investments; (ii) \$5.9 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 \$13.1 million; (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of \$6.5 million; and (v) an increase in the allowance for credit losses of \$30.7 million.

During the first three months of 2021, we recognized net 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.

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, 2022, there were no fixed maturity investments in default.

During the first three months of 2022, the \$30.6 million of gross realized losses on sales of \$786.6 million of fixed maturity securities, available for sale, included: (i) \$14.6 million related to various corporate securities; (ii) \$9.8 million related to non-agency residential mortgage-backed securities; (iii) \$4.2 million related to states and political subdivisions; and (iv) \$2.0 million related to various other investments. Securities are generally sold at a loss following unforeseen issuer-specific events or conditions or shifts in perceived relative values. These reasons include but are not limited to: (i) changes in the investment

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

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 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.

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,	
	2022	2021
Net income for basic and diluted earnings per share	\$ 112.3	\$ 147.4
Shares:		
Weighted average shares outstanding for basic earnings per share	118,622	134,140
Effect of dilutive securities on weighted average shares:		
Amounts related to employee benefit plans	2,380	2,513
Weighted average shares outstanding for diluted earnings per share	121,002	136,653

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).

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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 (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, virtually, 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 with one of the largest direct-to-consumer insurance businesses 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 and virtually. With a separate Worksite Division, we are bringing a sharper focus to this high-growth business while further capitalizing on the strength of our acquisitions of Web Benefits Design Corporation ("WBD") in April 2019 and DirectPath, LLC ("DirectPath") in February 2021. Sales in the Worksite Division have been particularly adversely impacted by the novel coronavirus ("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; (iv) expenses related to the funding agreement-backed note ("FABN") program; and (v) 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 our Federal Home Loan Bank ("FHLB") investment borrowing and FABN programs 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. The spread earned from our FHLB investment borrowing and FABN programs includes the investment income on the matched assets less interest on investment borrowings related to the FHLB investment borrowing program; and interest credited on funding agreements and amortization of deferred acquisition costs related to the FABN program.

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

Our fee income segment includes the earnings generated from sales of third-party insurance products, services provided by WBD (our 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 total 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 investment gains (losses), and a long-term focus is necessary to maintain profitability over the life of the business.

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. 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,	
	2022	2021
Revenues:		
Annuity:		
Insurance policy income	\$ 5.0	\$ 5.4
Net investment income	115.1	115.7
Total annuity revenues	120.1	121.1
Health:		
Insurance policy income	406.7	416.5
Net investment income	71.8	71.5
Total health revenues	478.5	488.0
Life:		
Insurance policy income	213.3	210.5
Net investment income	36.3	35.8
Total life revenues	249.6	246.3
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)	(71.9)	42.5
Investment income not allocated to product lines	49.7	64.9
Fee revenue and other income:		
Fee income	40.3	32.3
Amounts netted in expenses not allocated to product lines	2.8	6.8
Total segment revenues	\$ 869.1	\$ 1,001.9

(continued on next page)

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

(continued from previous page)

	Three months ended March 31,	
	2022	2021
Expenses:		
Annuity:		
Insurance policy benefits	\$ 17.8	\$ 6.2
Interest credited	41.3	38.7
Amortization and non-deferred commissions	16.4	18.3
Total annuity expenses	75.5	63.2
Health:		
Insurance policy benefits	301.3	306.6
Amortization and non-deferred commissions	52.4	56.7
Total health expenses	353.7	363.3
Life:		
Insurance policy benefits	163.6	163.6
Interest credited	11.6	10.6
Amortization, non-deferred commissions and advertising expense	54.6	45.0
Total life expenses	229.8	219.2
Allocated expenses	144.8	141.1
Expenses not allocated to product lines	17.6	28.8
Market value changes of options credited to fixed index annuity and life policyholders	(71.9)	42.5
Amounts netted in investment income not allocated to product lines:		
Interest expense	18.1	18.2
Interest credited	6.9	—
Amortization	.4	—
Other expenses	(4.2)	3.7
Expenses netted in fee revenue:		
Commissions and other operating expenses	30.4	25.0
Total segment expenses	801.1	905.0
Pre-tax measure of profitability:		
Annuity margin	44.6	57.9
Health margin	124.8	124.7
Life margin	19.8	27.1
Total insurance product margin	189.2	209.7
Allocated expenses	(144.8)	(141.1)
Income from insurance products	44.4	68.6
Fee income	9.9	7.3
Investment income not allocated to product lines	28.5	43.0
Expenses not allocated to product lines	(14.8)	(22.0)
Operating earnings before taxes	68.0	96.9
Income tax expense on operating income	16.9	21.7
Net operating income	\$ 51.1	\$ 75.2

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

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

	Three months ended	
	March 31,	
	2022	2021
Total segment revenues	\$ 869.1	\$ 1,001.9
Total investment losses	(32.7)	(2.8)
Revenues related to earnings attributable to VIEs	6.5	6.9
Consolidated revenues	842.9	1,006.0
Total segment expenses	801.1	905.0
Insurance policy benefits - fair value changes in embedded derivative liabilities	(123.9)	(109.1)
Amortization related to fair value changes in embedded derivative liabilities	33.1	27.0
Amortization related to investment gains (losses)	(.1)	—
Expenses attributable to VIEs	6.1	6.3
Fair value changes related to agent deferred compensation plan	(22.7)	(13.2)
Consolidated expenses	693.6	816.0
Income before tax	149.3	190.0
Income tax expense on period income	37.0	42.6
Net income	\$ 112.3	\$ 147.4

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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, 2022	December 31, 2021
Assets:		
Other invested assets:		
Fixed index call options	\$ 111.5	\$ 225.0
Other	2.5	2.5
Reinsurance receivables	(8.2)	(1.7)
Total assets	<u>\$ 105.8</u>	<u>\$ 225.8</u>
Liabilities:		
Future policy benefits:		
Fixed index products	\$ 1,543.5	\$ 1,724.1
Total liabilities	<u>\$ 1,543.5</u>	<u>\$ 1,724.1</u>

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 \$99 million in underlying investments held by the ceding reinsurer at March 31, 2022.

Our fixed index annuity products provide a guaranteed minimum rate of return and a higher potential return that is based on a percentage (the "participation rate") of the amount of increase in the value of a particular index, such as the Standard & Poor's 500 Index, over a specified period. We are generally able to change the participation rate at the beginning of each index period (typically on each policy anniversary date), subject to contractual minimums. The Company accounts for the options attributed to the policyholder for the estimated life of the contract as embedded derivatives. These accounting requirements often create volatility in the earnings from these products. We typically buy call options (including call spreads) referenced to the applicable indices in an effort to offset or hedge potential increases to policyholder benefits resulting from increases in the particular index to which the policy's return is linked. The notional amount of these options was \$3.0 billion at both March 31, 2022 and December 31, 2021.

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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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

	Three months ended March 31,	
	2022	2021
Net investment income (loss) from policyholder and other special-purpose portfolios:		
Fixed index call options	\$ (72.9)	\$ 43.6
Total investment losses:		
Embedded derivative related to modified coinsurance agreement	(6.5)	(3.0)
Total revenues from derivative instruments, not designated as hedges	<u>\$ (79.4)</u>	<u>\$ 40.6</u>

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, 2022, 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, 2022 and December 31, 2021 (dollars in millions):

	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
March 31, 2022:						
Fixed index call options	\$ 111.5	\$ —	\$ 111.5	\$ —	\$ —	\$ 111.5
December 31, 2021:						
Fixed index call options	225.0	—	225.0	—	—	225.0

REINSURANCE

The cost of reinsurance ceded totaled \$52.0 million and \$54.8 million in the first quarters of 2022 and 2021, respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled \$93.9 million and \$92.3 million in the first quarters of 2022 and 2021, 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 \$4.9 million and \$5.3 million in the first quarters of 2022 and 2021, respectively. Insurance policy benefits related to reinsurance assumed totaled \$6.1 million and \$8.6 million in the first quarters of 2022 and 2021, respectively.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements
(unaudited)**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,	
	2022	2021
Current tax expense	\$ 4.4	\$ 14.0
Deferred tax expense	32.6	28.6
Total income tax expense	<u>\$ 37.0</u>	<u>\$ 42.6</u>

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,	
	2022	2021
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	—	(.3)
State taxes	3.8	1.7
Effective tax rate	<u>24.8 %</u>	<u>22.4 %</u>

The increase in our effective tax rate in the first three months of 2022 was driven by a new Illinois income tax regulation that will limit our use of Illinois net operating loss carryforwards ("NOLs") in 2022 and 2023, triggering retaliatory taxes in other states.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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

	March 31, 2022	December 31, 2021
Deferred tax assets:		
Net federal operating loss carryforwards	\$ 237.0	\$ 241.4
Net state operating loss carryforwards	2.5	2.3
Insurance liabilities	348.0	390.7
Indirect costs allocable to self-constructed real estate assets	171.3	158.3
Other	15.7	27.5
Gross deferred tax assets	774.5	820.2
Deferred tax liabilities:		
Investments	(39.8)	(48.2)
Present value of future profits and deferred acquisition costs	(111.2)	(119.4)
Accumulated other comprehensive income	(105.4)	(540.4)
Gross deferred tax liabilities	(256.4)	(708.0)
Net deferred tax assets	518.1	112.2
Current income taxes prepaid	16.1	6.1
Income tax assets, net	\$ 534.2	\$ 118.3

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 Cuts and Jobs 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, 2022, 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 \$518.1 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

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

limitation on the extent to which losses realized by a life insurance entity (or entities) may offset income from a non-life entity (or entities).

Section 382 of the Code imposes limitations on a corporation's ability to use its NOLs when the company undergoes a 50 percent ownership change over a three-year period. Future transactions and the timing of such transactions could cause an ownership change for Section 382 income tax purposes. Such transactions may include, but are not limited to, additional repurchases under our securities repurchase program, issuances of common stock and acquisitions or sales of shares of CNO stock by certain holders of our shares, including persons who have held, currently hold or may accumulate in the future five percent or more of our outstanding common stock for their own account. Many of these transactions are beyond our control. If an additional ownership change were to occur for purposes of Section 382, we would be required to calculate an annual restriction on the use of our NOLs to offset future taxable income. The annual restriction would be calculated based upon the value of CNO's equity at the time of such ownership change, multiplied by a federal long-term tax exempt rate (1.63 percent at March 31, 2022), 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, 2022, we were below the 50 percent ownership change level that could limit our ability to utilize our NOLs.

We have \$1.1 billion of federal NOLs as of March 31, 2022, as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2023	\$ 541.8
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	\$ 1,128.4

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 \$2.5 million and \$2.3 million at March 31, 2022 and December 31, 2021, 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 IRS is conducting an examination of our 2016 through 2018 tax returns. The federal statute of limitations remains open with respect to tax years 2016 through 2021. 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

NOTES PAYABLE - DIRECT CORPORATE OBLIGATIONS

The following notes payable were direct corporate obligations of the Company as of March 31, 2022 and December 31, 2021 (dollars in millions):

	March 31, 2022	December 31, 2021
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	(12.4)	(12.7)
Direct corporate obligations	<u>\$ 1,137.6</u>	<u>\$ 1,137.3</u>

Revolving Credit Agreement

On July 16, 2021, the Company amended and restated its \$250.0 million revolving credit agreement (as so amended and restated, the "Revolving Credit Agreement"). The Revolving Credit Agreement, among other things, (i) requires the Company to maintain (each as calculated in accordance with the Revolving Credit Agreement): (i) a debt to total capitalization ratio (excluding hybrid securities, except to the extent that the aggregate amount outstanding of all such hybrid securities exceeds an amount equal to 15% of total capitalization) of not more than 35.0 percent (such ratio was 22.7 percent at March 31, 2022); and (ii) a minimum consolidated net worth of not less than the sum of (x) \$2,674 million plus (y) 25.0 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 \$3,310.4 million at March 31, 2022 compared to the minimum requirement of \$2,692.4 million). The maturity date of the Revolving Credit Agreement is July 16, 2026. The Revolving Credit Agreement contains certain other restrictive covenants with which the Company must comply. The interest rate applicable to loans under the Revolving Credit Agreement is calculated as the eurodollar rate or the base rate, at the Company's option, plus a 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. The commitment fee under the Revolving Credit Agreement is based on the Company's unsecured debt rating and the Revolving Credit Agreement includes updated LIBOR fallback provisions. There were no amounts outstanding under the Revolving Credit Agreement during the three months ended March 31, 2022.

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, 2022, the carrying value of the FHLB common stock was \$75.2 million. As of March 31, 2022, 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, 2022, 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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, 2022
\$ 10.0	June 2022	Variable rate – 1.257%
50.0	July 2022	Variable rate – .606%
50.0	August 2022	Variable rate – .705%
50.0	December 2022	Variable rate – .823%
50.0	December 2022	Variable rate – .823%
21.4	March 2023	Fixed rate – 2.160%
50.0	July 2023	Variable rate – .470%
100.0	July 2023	Variable rate – .470%
50.0	July 2023	Variable rate – .470%
100.0	April 2024	Variable rate – .464%
50.0	May 2024	Variable rate – .977%
22.0	May 2024	Variable rate – .722%
75.0	June 2024	Variable rate – 1.276%
100.0	July 2024	Variable rate – .519%
15.5	July 2024	Fixed rate – 1.990%
34.5	July 2024	Variable rate – .899%
15.0	July 2024	Variable rate – .749%
27.0	August 2024	Fixed rate – .640%
25.0	September 2024	Variable rate – 1.097%
21.7	May 2025	Variable rate – .599%
18.9	June 2025	Fixed rate – 2.940%
125.0	September 2025	Variable rate – .620%
100.0	October 2025	Variable rate – .732%
100.0	October 2025	Variable rate – .714%
57.7	October 2025	Variable rate – .732%
50.0	November 2025	Variable rate – .774%
50.0	January 2026	Variable rate – .671%
50.0	January 2026	Variable rate – .690%
100.0	January 2026	Variable rate – .637%
21.8	May 2026	Variable rate – .527%
50.0	May 2026	Variable rate – .540%
<u>\$ 1,640.5</u>		

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, 2022, the aggregate yield maintenance fee to prepay all fixed rate borrowings was \$2.1 million.

Interest expense of \$2.4 million and \$2.7 million in the first three months of 2022 and 2021, respectively, was recognized related to total borrowings from the FHLB.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

CHANGES IN COMMON STOCK

In the first three months of 2022, we repurchased 4.1 million shares of common stock for \$100.0 million under our securities repurchase program. The Company had remaining repurchase authority of \$266.9 million as of March 31, 2022.

In the first three months of 2022, dividends declared on common stock totaled \$16.0 million (\$0.13 per common share). In May 2022, the Company increased its quarterly common stock dividend to \$0.14 per share from \$0.13 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 \$4.7 million and \$3.9 million during the three months ended March 31, 2022 and 2021, respectively. Amounts amortized totaled \$7.5 million and \$6.2 million during the three months ended March 31, 2022 and 2021, respectively. The unamortized balance of deferred sales inducements was \$58.4 million and \$61.2 million at March 31, 2022 and December 31, 2021, respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS***Pending Accounting Standards***

In August 2018, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance revising the accounting for long-duration insurance 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.

We have selected the modified retrospective transition method, except for market risk benefits where we are required to use the full retrospective approach.

We have made progress in determining certain accounting decisions related to the standard including, but not limited to, preliminary conclusions related to: (i) the method to determine discount rates; (ii) a process to group policies into cohorts for the measurement of future policy benefits; (iii) a process to develop experience studies at a cohort level to substantiate mortality, morbidity, terminations and other actuarial assumptions; and (iv) a method to estimate the fair value of certain annuity product features which guarantee a defined stream of income to the policyholder for life (which is considered a market risk benefit).

With respect to the method to determine interest rates, we have made preliminary conclusions, but we continue to refine our methodology. The process involves the determination of discount rate curves for discounting cash flows to calculate the liability for future policy benefits at a cohort level. Each discount rate curve is developed to reflect the duration characteristics

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

of the underlying insurance liabilities using discount rates comparable to upper-medium grade (low credit risk) fixed income yields. Discount rates will be updated quarterly.

Our long duration insurance contracts will be grouped into annual calendar-year cohorts primarily based on the contractual issue date, marketing distribution channel, legal entity and product type. Single premium contracts will be grouped into separate cohorts from other traditional products. Riders will generally be combined with the base policy. Insurance contracts which were issued prior to September 10, 2003 (the effective date of the bankruptcy reorganization of Conseco, Inc. (our Predecessor)) will be grouped by marketing distribution channel, legal entity and product type in a single issue year cohort.

Using the cash flow assumptions underlying our insurance contracts, we have completed preliminary testing of the potential loss recognition on the January 1, 2021 transition date (the "Transition Date"). Under the new guidance, this testing is performed at the Transition Date at a cohort level, rather than the current requirements to aggregate all vintages within a block.

Although we do not have variable annuity business with guaranteed features considered "market risk benefits," we do issue certain fixed index annuities with lifetime income riders. These riders are currently accounted for using traditional insurance accounting, but must be carried at fair value under the new standard. We have made preliminary determinations of the Transition Date impact of this change.

We continue to evaluate the impact of adoption and expect that the adoption will have a significant impact on our financial position, results of operations, and disclosures. We anticipate that the requirement to update assumptions for the liability for future policy benefits will have a significant impact on our results of operations, systems, processes and controls and that the requirement to update discount rates will have a significant impact on shareholders' equity.

Based upon the modified retrospective transition method, we currently estimate that the new discount rate impact from adoption on the Transition Date is likely to result in a decrease to the accumulated other comprehensive income balance in the range of approximately \$1,800 million to \$2,200 million, resulting in a balance approximating zero at the Transition Date. This is primarily due to updating the liability for future policy benefits discount rate assumptions from the rates locked in for reserves held as of the Transition Date to rates determined by reference to the Transition Date market level yields for upper-medium-grade (low credit risk) fixed income instruments as of December 31, 2020.

In addition, we currently estimate that the Transition Date impact on retained earnings will be a decrease in the range of approximately \$100 million to \$200 million primarily due to certain "cohorts" of older long-term care policies having negative margins. The overall margin on our long-term care block continues to be positive. In addition, our estimate of the Transition Date impact on retained earnings includes the impact of carrying the lifetime income riders on certain fixed index annuities at fair value. The estimated impact on retained earnings is based on numerous assumptions and preliminary methodologies including: (i) our methodology of defining cohorts; (ii) the assumptions used to estimate the market value of features which guarantee a defined stream of income to the policyholder for life; and (iii) numerous assumptions regarding future policy benefits.

We have recently begun testing our reporting and disclosure capabilities under the new guidance for post-Transition Date accounting periods. We are also enhancing certain modeling, data management, experience study and analytical capabilities and increasing the automation of key reporting and analytical processes. As part of our implementation plan, we are putting in place internal controls related to the new processes and will continue to refine and develop these internal controls until the formal implementation of the new standard in the first quarter of 2023.

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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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 Consecro Life Insurance Company ("BCLIC") and Washington National commenced an action entitled *Bankers Consecro 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 duty 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. The Delaware Chancery Court denied the CNO Parties' motions to dismiss the Amended Complaint on the basis of forum non conveniens, but granted the CNO Parties' motion to stay the case pending the conclusion of a related matter. After the stay is lifted, the court will address the CNO Parties' and other defendants' motions to dismiss the Amended Complaint on numerous other grounds.

On June 28, 2019, BCLIC and Washington National commenced an action entitled *Bankers Consecro 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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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 42 states and the District of Columbia participated in this examination. In November 2018, we entered into an agreement for compliance with laws and regulations concerning the identification, reporting and escheatment of unclaimed contract benefits or abandoned funds (the "Global Resolution Agreement"). 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 112.3	\$ 147.4
Adjustments to reconcile net income to net cash from operating activities:		
Amortization and depreciation	112.7	108.7
Income taxes	22.5	25.9
Insurance liabilities	(113.7)	(3.9)
Accrual, amortization and fair value changes included in investment income	52.2	(87.1)
Deferral of policy acquisition costs	(82.8)	(70.7)
Net investment losses	32.7	2.8
Other	(79.5)	(33.7)
Net cash from operating activities	<u>\$ 56.4</u>	<u>\$ 89.4</u>

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,	
	2022	2021
Amounts related to employee benefit plans	\$ 7.2	\$ 5.6

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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, 2022		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	\$ 1,180.8	\$ —	\$ 1,180.8
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	48.0	—	48.0
Accrued investment income	1.7	—	1.7
Income tax assets, net	10.8	—	10.8
Other assets	10.1	(.8)	9.3
Total assets	\$ 1,251.4	\$ (114.6)	\$ 1,136.8
Liabilities:			
Other liabilities	\$ 48.7	\$ (4.4)	\$ 44.3
Borrowings related to variable interest entities	1,133.1	—	1,133.1
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	\$ 1,307.9	\$ (130.5)	\$ 1,177.4

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

	December 31, 2021		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	\$ 1,199.6	\$ —	\$ 1,199.6
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	99.6	—	99.6
Accrued investment income	1.6	—	1.6
Income tax assets, net	8.4	—	8.4
Other assets	7.1	(.9)	6.2
Total assets	<u>\$ 1,316.3</u>	<u>\$ (114.7)</u>	<u>\$ 1,201.6</u>
Liabilities:			
Other liabilities	\$ 89.5	\$ (4.3)	\$ 85.2
Borrowings related to variable interest entities	1,147.9	—	1,147.9
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	<u>\$ 1,363.5</u>	<u>\$ (130.4)</u>	<u>\$ 1,233.1</u>

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, 2022, such loans had an amortized cost of \$1,198.9 million; gross unrealized gains of \$0.9 million; gross unrealized losses of \$13.1 million; allowance for credit losses of \$5.9 million; and an estimated fair value of \$1,180.8 million.

The following table summarizes changes in the allowance for credit losses related to corporate securities held by VIEs (dollars in millions):

	Three months ended March 31,	
	2022	2021
Allowance at the beginning of the period	\$ 3.7	\$ 15.1
Additions for securities for which credit losses were not previously recorded	1.5	.5
Additions for purchased securities with deteriorated credit	—	—
Additions (reductions) for securities where an allowance was previously recorded	1.3	(2.5)
Reduction for securities sold during the period	(.6)	(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 the end of the period	<u>\$ 5.9</u>	<u>\$ 5.4</u>

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

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at March 31, 2022, by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
(Dollars in millions)		
Due after one year through five years	\$ 660.5	\$ 649.1
Due after five years through ten years	538.4	531.7
Total	<u>\$ 1,198.9</u>	<u>\$ 1,180.8</u>

During the first three months of 2022, the VIEs recognized investment losses of \$3.2 million which were comprised of: (i) \$0.8 million of net losses from the sales of fixed maturities; (ii) the change in market value of other investments of \$(.2) million; and (iii) an increase in the allowance for credit losses of \$2.2 million. Such net realized losses included gross realized losses of \$0.8 million from the sale of \$11.7 million of investments. During the first three months of 2021, the VIEs recognized net 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.

At March 31, 2022, there were no fixed maturity investments held by the VIEs in default.

At March 31, 2022, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of \$504.1 million and gross unrealized losses not deemed to have credit losses of \$5.5 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 \$390.0 million and gross unrealized losses not deemed to have credit losses of \$6.6 million that had been in an unrealized loss position for twelve months or greater.

At December 31, 2021, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of \$417.7 million and gross unrealized losses of \$2.2 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 \$279.7 million and gross unrealized losses of \$3.1 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, 2022, we held investments in various limited partnerships and hedge funds, in which we are not the primary beneficiary, totaling \$620.7 million (classified as other invested assets). At March 31, 2022, we had unfunded commitments to these partnerships totaling \$244.9 million. Our maximum exposure to loss on these investments is limited to the amount of our investment.

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

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 and funding agreements, 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), and funding agreements 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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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 using independent pricing services. 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 using independent pricing services. 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 using independent pricing services. 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 using independent pricing services. 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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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

The categorization of the fair value measurements of our investments priced by independent pricing services was based upon the Company's judgment of the inputs or methodologies used by the independent pricing services to value different asset classes. Such inputs typically include: benchmark yields, reported trades, broker dealer quotes, issuer spreads, benchmark securities, bids, offers and other relevant data. The Company categorizes such fair value measurements based upon asset classes and the underlying observable or unobservable inputs used to value such investments.

For securities that are not priced by pricing services and may not be reliably priced using pricing models, we obtain broker quotes. These broker quotes are non-binding and represent an exit price, but assumptions used to establish the fair value may not be observable and therefore represent Level 3 inputs. Approximately 89 percent of our Level 3 fixed maturity securities 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.

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

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at March 31, 2022 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	\$ —	\$ 14,246.0	\$ 118.0	\$ 14,364.0
United States Treasury securities and obligations of United States government corporations and agencies	—	196.6	—	196.6
States and political subdivisions	—	2,698.7	—	2,698.7
Foreign governments	—	80.6	—	80.6
Asset-backed securities	—	1,121.6	41.2	1,162.8
Agency residential mortgage-backed securities	—	35.7	—	35.7
Non-agency residential mortgage-backed securities	—	1,879.9	4.4	1,884.3
Collateralized loan obligations	—	673.6	9.8	683.4
Commercial mortgage-backed securities	—	2,355.8	17.5	2,373.3
Total fixed maturities, available for sale	—	23,288.5	190.9	23,479.4
Equity securities - corporate securities	82.6	—	8.4	91.0
Trading securities:				
Asset-backed securities	—	4.0	—	4.0
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	75.5	—	75.5
Commercial mortgage-backed securities	—	130.4	12.7	143.1
Total trading securities	—	210.3	12.7	223.0
Investments held by variable interest entities - corporate securities	—	1,180.8	—	1,180.8
Other invested assets - derivatives	—	114.0	—	114.0
Assets held in separate accounts	—	3.6	—	3.6
Total assets carried at fair value by category	\$ 82.6	\$ 24,797.2	\$ 212.0	\$ 25,091.8
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	\$ —	\$ —	\$ 1,543.5	\$ 1,543.5

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at December 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	\$ —	\$ 15,361.1	\$ 89.7	\$ 15,450.8
United States Treasury securities and obligations of United States government corporations and agencies	—	219.6	—	219.6
States and political subdivisions	—	3,004.2	—	3,004.2
Foreign governments	—	98.5	—	98.5
Asset-backed securities	—	1,136.3	26.6	1,162.9
Agency residential mortgage-backed securities	—	40.4	—	40.4
Non-agency residential mortgage-backed securities	—	2,023.8	—	2,023.8
Collateralized loan obligations	—	583.3	5.0	588.3
Commercial mortgage-backed securities	—	2,197.9	19.0	2,216.9
Total fixed maturities, available for sale	—	24,665.1	140.3	24,805.4
Equity securities - corporate securities	100.8	18.8	11.5	131.1
Trading securities:				
Asset-backed securities	—	5.8	—	5.8
Agency residential mortgage-backed securities	—	.4	—	.4
Non-agency residential mortgage-backed securities	—	77.5	3.5	81.0
Commercial mortgage-backed securities	—	127.1	12.9	140.0
Total trading securities	—	210.8	16.4	227.2
Investments held by variable interest entities - corporate securities	—	1,197.4	2.2	1,199.6
Other invested assets - derivatives	—	227.5	—	227.5
Assets held in separate accounts	—	3.9	—	3.9
Total assets carried at fair value by category	\$ 100.8	\$ 26,323.5	\$ 170.4	\$ 26,594.7
Liabilities:				
Embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities)	\$ —	\$ —	\$ 1,724.1	\$ 1,724.1

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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

	March 31, 2022				
	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	\$ —	\$ —	\$ 1,216.2	\$ 1,216.2	\$ 1,213.3
Policy loans	—	—	119.5	119.5	119.5
Other invested assets:					
Company-owned life insurance	—	203.6	—	203.6	203.6
Cash and cash equivalents:					
Unrestricted	546.0	—	—	546.0	546.0
Held by variable interest entities	48.0	—	—	48.0	48.0
Liabilities:					
Policyholder account liabilities	—	—	14,546.3	14,546.3	14,546.3
Investment borrowings	—	1,642.6	—	1,642.6	1,640.5
Borrowings related to variable interest entities	—	1,119.4	—	1,119.4	1,133.1
Notes payable – direct corporate obligations	—	1,186.9	—	1,186.9	1,137.6

	December 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	\$ —	\$ —	\$ 1,297.5	\$ 1,297.5	\$ 1,218.6
Policy loans	—	—	120.2	120.2	120.2
Other invested assets:					
Company-owned life insurance	—	207.0	—	207.0	207.0
Cash and cash equivalents:					
Unrestricted	632.1	—	—	632.1	632.1
Held by variable interest entities	99.6	—	—	99.6	99.6
Liabilities:					
Policyholder account liabilities	—	—	13,689.7	13,689.7	13,689.7
Investment borrowings	—	1,719.6	—	1,719.6	1,715.8
Borrowings related to variable interest entities	—	1,144.8	—	1,144.8	1,147.9
Notes payable – direct corporate obligations	—	1,283.4	—	1,283.4	1,137.3

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

 Notes to Consolidated Financial Statements
(unaudited)

The following table presents additional information about assets 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, 2022 (dollars in millions):

March 31, 2022									
	Beginning balance as of December 31, 2021	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, 2022	Amount of total gains (losses) for the three months ended March 31, 2022 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, 2022 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	\$ 89.7	\$ —	\$ (1.4)	\$ (6.5)	\$ 36.2	\$ —	\$ 118.0	\$ (2.1)	\$ (6.5)
Asset-backed securities	26.6	15.9	—	(1.3)	—	—	41.2	—	(1.3)
Non-agency residential mortgage-backed securities	—	—	—	(.6)	5.0	—	4.4	—	(.6)
Collateralized loan obligations	5.0	10.0	—	(.2)	—	(5.0)	9.8	—	(.2)
Commercial mortgage-backed securities	19.0	—	—	(1.5)	—	—	17.5	—	(1.5)
Total fixed maturities, available for sale	140.3	25.9	(1.4)	(10.1)	41.2	(5.0)	190.9	(2.1)	(10.1)
Equity securities - corporate securities	11.5	(2.9)	(.2)	—	—	—	8.4	(.2)	—
Trading securities:									
Non-agency residential mortgage-backed securities	3.5	—	—	—	—	(3.5)	—	—	—
Commercial mortgage-backed securities	12.9	—	(.4)	.2	—	—	12.7	(.4)	—
Total trading securities	16.4	—	(.4)	.2	—	(3.5)	12.7	(.4)	—
Investments held by variable interest entities - corporate securities	2.2	(2.1)	(.1)	—	—	—	—	—	—

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

- (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 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. The following summarizes such activity for the three months ended March 31, 2022 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	\$ 9.4	\$ (9.4)	\$ —	\$ —	\$ —
Asset-backed securities	16.0	(.1)	—	—	15.9
Collateralized loan obligations	10.0	—	—	—	10.0
Total fixed maturities, available for sale	35.4	(9.5)	—	—	25.9
Equity securities - corporate securities	.3	(3.2)	—	—	(2.9)
Investments held by variable interest entities - corporate securities	—	(2.1)	—	—	(2.1)

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

The following table presents additional information about assets 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)	—

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

- (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 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. 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)

The following table summarizes changes in the value of our embedded derivatives associated with fixed index annuity products (classified as policyholder account liabilities) which are measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value (dollars in millions):

	Three months ended March 31,	
	2022	2021
Balance at beginning of the period	\$ 1,724.1	\$ 1,644.5
Premiums less benefits	21.1	15.5
Change in fair value, net	(201.7)	(110.7)
Balance at end of the period	\$ 1,543.5	\$ 1,549.3

The change in fair value, net for each period in our embedded derivatives is included in the consolidated statement of operations.

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, 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 change in allowance for credit losses for fixed maturities, available for sale, changes in fair value of equity securities, trading securities 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

At March 31, 2022, 79 percent of our Level 3 fixed maturities, available for sale, were investment grade and 62 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, 2022 (dollars in millions):

	Fair value at March 31, 2022	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	\$.1	Discounted cash flow analysis	Discount margins	4.79%
Corporate securities (c)	12.5	Unadjusted purchase price	Not applicable	Not applicable
Asset-backed securities (d)	10.7	Discounted cash flow analysis	Discount margins	1.57%
Equity securities (e)	.1	Recovery method	Percent of recovery expected	0.00% - 100.00% (100.00%)
Equity securities (f)	8.2	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (g)	180.4	Unadjusted third-party price source	Not applicable	Not applicable
Total	212.0			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (h)	1,543.5	Discounted projected embedded derivatives	Projected portfolio yields	3.98% - 4.37% (3.99%)
			Discount rates	1.57% - 3.67% (2.71%)
			Surrender rates	1.50% - 26.40% (9.00%)

- (a) The weighted average is based on the relative fair value of the related assets or liabilities.
- (b) Corporate securities - The significant unobservable input used in the fair value measurement of our corporate securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would have resulted in a significantly lower (higher) fair value measurement.
- (c) Corporate securities - For these assets, there were no adjustments to the purchase price.
- (d) Asset-backed securities - The significant unobservable input used in the fair value measurement of these asset-backed securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would have resulted in a significantly lower (higher) fair value measurement.
- (e) Equity securities - The significant unobservable input used in the fair value measurement of these equity securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would have resulted in a significantly higher (lower) fair value measurement.
- (f) Equity securities - For these assets, there were no adjustments to the purchase price.
- (g) 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.
- (h) 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

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, 2021 (dollars in millions):

	Fair value at December 31, 2021	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	\$.1	Discounted cash flow analysis	Discount margins	4.49%
Corporate securities (c)	2.3	Recovery method	Percent of recovery expected	0.00% - 100.00% (100.00%)
Corporate securities (d)	12.5	Unadjusted purchase price	Not applicable	Not applicable
Asset-backed securities (e)	11.6	Discounted cash flow analysis	Discount margins	1.50%
Equity securities (f)	3.3	Recovery method	Percent of recovery expected	0.00% - 100.00% (100.00%)
Equity securities (g)	8.2	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (h)	132.4	Unadjusted third-party price source	Not applicable	Not applicable
Total	170.4			
Liabilities:				
Embedded derivatives related to fixed index annuity products (classified as policyholder account liabilities) (i)	1,724.1	Discounted projected embedded derivatives	Projected portfolio yields	3.98% - 4.37% (3.99%)
			Discount rates	0.31% - 3.18% (1.89%)
			Surrender rates	1.50% - 26.40% (9.00%)

(a) The weighted average is based on the relative fair value of the related assets or liabilities.

(b) Corporate securities - The significant unobservable input used in the fair value measurement of our corporate securities is discount margin added to a riskless market yield. Significant increases (decreases) in discount margin in isolation would have resulted in a significantly lower (higher) fair value measurement.

(c) Corporate securities - The significant unobservable input used in the fair value measurement of these corporate securities is percentage of recovery expected. Significant increases (decreases) in percentage of recovery expected in isolation would have resulted in a significantly higher (lower) fair value measurement.

(d) Corporate securities - For these assets, there were no adjustments to the purchase price.

(e) 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.

(f) 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.

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

(h) 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.

(i) 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, 2022, and its consolidated results of operations for the three months ended March 31, 2022 and 2021, 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.

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 2021 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, including the deferral of healthcare by policyholders and the potential for future resulting increased claim costs, 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;
- exposure to interest rate risk, including volatility to interest rates, may negatively impact our results of operations, financial position or cash flow;
- changes to future investment earnings, including the impact of realized losses (including other-than-temporary impairment charges) 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;
- 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 and modeling;
- our ability to continue to recruit and retain productive agents and distribution partners;
- customer response to new products, distribution channels and marketing initiatives;
- inflation may impact the sales and persistency of insurance products, a portion of our insurance policy benefits affected by increased medical coverage costs and various operating expenses including payroll;
- 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 climate change;
- 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 income 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 (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, virtually, 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 with one of the largest direct-to-consumer insurance businesses 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 and virtually. With a separate Worksite Division, we are bringing a sharper focus to this high-growth business while further capitalizing on the strength of our 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 Worksite Division is increasing its recruiting efforts to rebuild its agent force which was adversely impacted by the COVID-19 pandemic.

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

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

The investment segment involves the management of our capital resources, including investments and the management of corporate debt and liquidity. Our measure of profitability of this segment is the total net investment income not allocated to the insurance products. Investment income not allocated to product lines represents net investment income less: (i) equity returns credited to policyholder account balances; (ii) the investment income allocated to our product lines; (iii) interest expense on notes payable and investment borrowings; (iv) expenses related to the FABN program; and (v) 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 our FHLB investment borrowing and FABN programs 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.

Our fee income segment includes the earnings generated from sales of third-party insurance products, services provided by WBD (our 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

The following summarizes our earnings for the three months ending March 31, 2022 and 2021 (dollars in millions, except per share data):

	Three months ended	
	March 31,	
	2022	2021
Insurance product margin		
Annuity margin	\$ 44.6	\$ 57.9
Health margin	124.8	124.7
Life margin	19.8	27.1
Total insurance product margin	189.2	209.7
Allocated expenses	(144.8)	(141.1)
Income from insurance products	44.4	68.6
Fee income	9.9	7.3
Investment income not allocated to product lines	28.5	43.0
Expenses not allocated to product lines	(14.8)	(22.0)
Operating earnings before taxes	68.0	96.9
Income tax expense on operating income	(16.9)	(21.7)
Net operating income (a)	51.1	75.2
Net realized investment gains (losses) from sales and change in allowance for credit losses (net of related amortization)	(7.1)	3.6
Net change in market value of investments recognized in earnings	(25.5)	(6.4)
Fair value changes related to agent deferred compensation plan	22.7	13.2
Fair value changes in embedded derivative liabilities (net of related amortization)	90.8	82.1
Other	.4	.6
Net non-operating income before taxes	81.3	93.1
Income tax expense on non-operating income	(20.1)	(20.9)
Net non-operating income	61.2	72.2
Net income	\$ 112.3	\$ 147.4
Per diluted share		
Net operating income	\$.42	\$.55
Net non-operating income	.51	.53
Net income	\$.93	\$ 1.08

-
- (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 operating income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the Company's underlying fundamentals. The table above reconciles the non-GAAP measure 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 measures 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 2021 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,	
	2022	2021
Insurance product margin		
Annuity:		
Insurance policy income	\$ 5.0	\$ 5.4
Net investment income	115.1	115.7
Insurance policy benefits	(17.8)	(6.2)
Interest credited	(41.3)	(38.7)
Amortization and non-deferred commissions	(16.4)	(18.3)
Annuity margin	44.6	57.9
Health:		
Insurance policy income	406.7	416.5
Net investment income	71.8	71.5
Insurance policy benefits	(301.3)	(306.6)
Amortization and non-deferred commissions	(52.4)	(56.7)
Health margin	124.8	124.7
Life:		
Insurance policy income	213.3	210.5
Net investment income	36.3	35.8
Insurance policy benefits	(163.6)	(163.6)
Interest credited	(11.6)	(10.6)
Amortization and non-deferred commissions	(25.3)	(21.7)
Advertising expense	(29.3)	(23.3)
Life margin	19.8	27.1
Total insurance product margin	189.2	209.7
Allocated expenses:		
Branch office expenses	(18.1)	(18.5)
Other allocated expenses	(126.7)	(122.6)
Income from insurance products	44.4	68.6
Fee income	9.9	7.3
Investment income not allocated to product lines	28.5	43.0
Expenses not allocated to product lines	(14.8)	(22.0)
Operating earnings before taxes	68.0	96.9
Income tax expense on operating income	(16.9)	(21.7)
Net operating income	\$ 51.1	\$ 75.2

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, virtually, 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 and virtually.

Insurance product margin is management's measure of the profitability of its annuity, health and life product lines' performance and consists of insurance policy income 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; (iv) expenses related to the FABN program; and (v) 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 our FHLB investment borrowing and FABN programs 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 \$51.1 million in the first quarter of 2022, down from \$75.2 million in the first quarter of 2021.

Our operating earnings before taxes were \$68.0 million in the first quarter of 2022 compared to \$96.9 million in the first quarter of 2021. The decrease primarily reflects the following items: (i) a \$15 million reduction in investment income not allocated to product lines primarily due to alternative investment income returns moderating to levels more in line with our long-term expectations; (ii) \$10 million of impacts related to recent market volatility which reduced our fixed index annuity insurance margin; (iii) a \$6 million decrease in the favorable COVID-19 impacts in our insurance margins; (iv) \$6 million of higher non-deferrable advertising expenses, which generates profitable life sales, but pressures current period earnings; partially offset by (v) \$8 million of lower expenses related to certain significant legal and regulatory matters and transaction expenses related to the acquisition of DirectPath (both of which were recognized in the first quarter of 2021).

Insurance product margin was \$189.2 million in the first quarter of 2022, compared to \$209.7 million in the first quarter of 2021. Insurance product margin has been significantly impacted by the COVID-19 pandemic. Our life margin reflected adverse mortality as a result of increased deaths related to COVID-19 of approximately \$16 million and \$19 million in the first quarters of 2022 and 2021, respectively. Our health margin reflected favorable COVID-19 impacts driven by the deferral of health care of approximately \$32 million and \$40 million in the first quarters of 2022 and 2021, respectively. In addition, the margin from fixed index annuities in the first quarter of 2022 was negatively impacted by \$10 million due to recent market volatility. Lastly, the margin from traditional life products was impacted by \$6 million of higher non-deferrable advertising expenses.

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

	Three months ended March 31,	
	2022	2021
Fee revenue	\$ 40.3	\$ 32.3
Operating costs and expenses	(30.4)	(25.0)
Net fee income	\$ 9.9	\$ 7.3

The higher net fee income in the first quarter of 2022, compared to the same period in 2021, is primarily driven by: (i) the growth related to the sales of third party products in recent periods and changes to our assumptions reflecting favorable

policy persistency; partially offset by (ii) higher expenses related to our DirectPath subsidiary which was acquired in February 2021.

Investment income not allocated to product lines generally fluctuates from period to period based on the level of prepayment income (including call premiums) and trading account income; 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 spread we earn from our FHLB investment borrowing and FABN programs.

Expenses not allocated to product lines in the first three months of 2021 included: (i) \$5.3 million from legal and regulatory matters; and (ii) \$2.5 million of transaction expenses related to the acquisition of DirectPath. The following summarizes expenses not allocated to product lines as adjusted for the significant items summarized above (dollars in millions):

	Three months ended March 31,	
	2022	2021
Expenses not allocated to product lines	\$ 14.8	\$ 22.0
Net expenses related to significant legal and regulatory matters	—	(5.3)
Transaction expenses related to acquisition of DirectPath	—	(2.5)
Adjusted total	<u>\$ 14.8</u>	<u>\$ 14.2</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Annuity Products (dollars in millions):

	Three months ended March 31,	
	2022	2021
Annuity margin:		
Fixed index annuities		
Insurance policy income	\$ 3.0	\$ 3.0
Net investment income	87.7	84.9
Insurance policy benefits	(13.7)	1.6
Interest credited	(29.3)	(24.9)
Amortization and non-deferred commissions	(14.5)	(16.3)
Margin from fixed index annuities	\$ 33.2	\$ 48.3
Average net insurance liabilities	\$ 8,268.4	\$ 7,464.8
Margin/average net insurance liabilities	1.61 %	2.59 %
Fixed interest annuities		
Insurance policy income	\$.1	\$.2
Net investment income	21.5	24.4
Insurance policy benefits	(.3)	(.7)
Interest credited	(11.4)	(13.2)
Amortization and non-deferred commissions	(1.8)	(1.9)
Margin from fixed interest annuities	\$ 8.1	\$ 8.8
Average net insurance liabilities	\$ 1,761.9	\$ 1,951.6
Margin/average net insurance liabilities	1.84 %	1.80 %
Other annuities		
Insurance policy income	\$ 1.9	\$ 2.2
Net investment income	5.9	6.4
Insurance policy benefits	(3.8)	(7.1)
Interest credited	(.6)	(.6)
Amortization and non-deferred commissions	(.1)	(.1)
Margin from other annuities	\$ 3.3	\$.8
Average net insurance liabilities	\$ 488.0	\$ 512.2
Margin/average net insurance liabilities	2.70 %	.62 %
Total annuity margin	\$ 44.6	\$ 57.9
Average net insurance liabilities	\$ 10,518.3	\$ 9,928.6
Margin/average net insurance liabilities	1.70 %	2.33 %

Margin from fixed index annuities was \$33.2 million in the first quarter of 2022, compared to \$48.3 million in the first quarter of 2021. The decrease in margin is primarily driven by \$10 million of unfavorable impacts resulting from market conditions (primarily higher interest rates and lower equity markets) in the first quarter of 2022 compared to the first quarter of 2021. 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 \$8,268.4 million and \$7,464.8 million in the first quarters of 2022 and 2021, respectively, driven by deposits and reinvested returns in excess of withdrawals. The increase in net insurance liabilities results in higher net investment income allocated, however, the earned yield was 4.24 percent in the first quarter of 2022, down from 4.55 percent in the first quarter of 2021, reflecting lower market yields. We believe the margin on annuities (primarily fixed index annuities) was favorably impacted by approximately \$1 million in the three months ended March 31, 2021, 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 \$(64.3) million and \$37.7 million in the first quarters of 2022 and 2021, respectively.

Margin from fixed interest annuities was \$8.1 million in the first quarter of 2022 compared to \$8.8 million in the first quarter of 2021, driven primarily by a reduction in the size of the block and lower investment yields. Average net insurance liabilities were \$1,761.9 million in the first quarter of 2022 compared to \$1,951.6 million in the first quarter of 2021, 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 4.88 percent in the first quarter of 2022 from 5.00 percent in the first quarter of 2021, reflecting lower market yields.

Margin from other annuities was \$3.3 million in the first quarter of 2022 compared to \$.8 million in the first quarter of 2021. The margin on this relatively small block of business is sensitive to annuitant mortality related to contracts with life contingencies. An increase in mortality in this block will result in a decrease in insurance liabilities and insurance policy benefits. Such mortality was higher in the first quarter of 2022, compared to the same period in 2021.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Health Products (dollars in millions):

	Three months ended March 31,	
	2022	2021
Health margin:		
Supplemental health		
Insurance policy income	\$ 173.5	\$ 169.8
Net investment income	37.5	36.1
Insurance policy benefits	(124.4)	(126.3)
Amortization and non-deferred commissions	(29.4)	(29.2)
Margin from supplemental health	\$ 57.2	\$ 50.4
Margin/insurance policy income	33 %	30 %
Medicare supplement		
Insurance policy income	\$ 166.8	\$ 181.0
Net investment income	1.3	1.3
Insurance policy benefits	(110.2)	(120.0)
Amortization and non-deferred commissions	(21.7)	(24.1)
Margin from Medicare supplement	\$ 36.2	\$ 38.2
Margin/insurance policy income	22 %	21 %
Long-term care margin		
Insurance policy income	\$ 66.4	\$ 65.7
Net investment income	33.0	34.1
Insurance policy benefits	(66.7)	(60.3)
Amortization and non-deferred commissions	(1.3)	(3.4)
Margin from long-term care	\$ 31.4	\$ 36.1
Margin/insurance policy income	47 %	55 %
Total health margin	\$ 124.8	\$ 124.7
Margin/insurance policy income	31 %	30 %

Margin from supplemental health business was \$57.2 million in the first quarter of 2022, up 13 percent from the first quarter of 2021, reflecting growth in the block and favorable claim experience attributable to policyholders deferring health care during the pandemic. The margin as a percentage of insurance policy income was 33 percent in the first quarter of 2022 compared to 30 percent in the prior year period. Insurance policy benefits in the first three months of 2022 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. We estimate that the supplemental health margin in the three months ended March 31, 2022 and 2021 was favorably impacted by approximately \$9 million and \$6 million, respectively, 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 \$36.2 million and \$38.2 million in the first quarters of 2022 and 2021, respectively. The margin on the Medicare supplement business in the 2022 and 2021 periods reflects favorable claim experience primarily attributable to policyholders deferring health care during the pandemic. We expect claim experience to normalize over time and the deferral of care 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 \$7 million and \$9 million in the three months ended March 31, 2022 and 2021, respectively. Insurance policy income was \$166.8 million in the first quarter of 2022, down 7.8 percent from the first quarter of 2021, reflecting lower sales in recent periods partially offset by premium rate increases. We have experienced a shift in the sale of Medicare supplement policies to the sale of Medicare Advantage policies. We receive fee income when Medicare Advantage policies of other providers are sold, which is recorded in our Fee income segment. We continue to invest in both our Medicare supplement products and Medicare Advantage distribution to meet our customers' needs and preferences.

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 \$31.4 million in the first quarter of 2022, down 13 percent from the first quarter of 2021. The margin as a percentage of insurance policy income was 47 percent in the first quarter of 2022 compared to 55 percent in the first quarter of 2021. The margin in both the 2022 and 2021 periods 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 in the first quarter of 2021. Based on actual claims incurred and persistency relative to our expectations and previous experience prior to COVID-19, we estimate that the long-term care margin was favorably impacted by approximately \$16 million and \$25 million in the three months ended March 31, 2022 and 2021, respectively. In addition, the margin has been favorably impacted by the more profitable business currently being sold and the run-off of less profitable older long-term care business.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Life Products (dollars in millions):

	Three months ended March 31,	
	2022	2021
Life margin:		
Interest-sensitive life		
Insurance policy income	\$ 43.1	\$ 40.8
Net investment income	13.0	12.4
Insurance policy benefits	(21.2)	(22.7)
Interest credited	(11.5)	(10.5)
Amortization and non-deferred commissions	(6.5)	(5.8)
Margin from interest-sensitive life	\$ 16.9	\$ 14.2
Average net insurance liabilities	\$ 1,011.9	\$ 954.7
Interest margin	\$ 1.5	\$ 1.9
Interest margin/average net insurance liabilities	.59 %	.80 %
Underwriting margin	\$ 15.4	\$ 12.3
Underwriting margin/insurance policy income	36 %	30 %
Traditional life		
Insurance policy income	\$ 170.2	\$ 169.7
Net investment income	23.3	23.4
Insurance policy benefits	(142.4)	(140.9)
Interest credited	(.1)	(.1)
Amortization and non-deferred commissions	(18.8)	(15.9)
Advertising expense	(29.3)	(23.3)
Margin from traditional life	\$ 2.9	\$ 12.9
Margin/insurance policy income	2 %	8 %
Margin excluding advertising expense/insurance policy income	19 %	21 %
Total life margin	\$ 19.8	\$ 27.1

Margin from interest-sensitive life business was \$16.9 million in the first quarter of 2022, up 19 percent from the first quarter of 2021. The change in margin reflects less unfavorable mortality related to COVID-19 in the first quarter of 2022, compared to the first quarter of 2021 and 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 \$3 million and \$7 million in the three months ended March 31, 2022 and 2021, respectively.

The interest margin was \$1.5 million and \$1.9 million in the first quarters of 2022 and 2021, respectively. Net investment income in the 2022 period was slightly higher than the 2021 period. The increase in average net insurance liabilities results in higher net investment income allocated, which is partially offset by lower earned yields. The earned yield was 5.14 percent and 5.20 percent in the first quarters of 2022 and 2021, respectively. Interest credited to policyholders may be changed annually but is 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 exclude 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 \$(7.6) million and \$4.8 million in the first quarters of 2022 and 2021, respectively.

Margin from traditional life business was \$2.9 million in the first quarter of 2022 compared to \$12.9 million in the first quarter of 2021. Insurance policy benefits were \$142.4 million in the first quarter of 2022, up 1.1 percent from the same period in 2021. We estimate that the impact from death claims related to COVID-19 increased insurance policy benefits by

approximately \$13 million and \$12 million in the three months ended March 31, 2022 and 2021, respectively. In addition, amortization is higher in the first quarter of 2022, as compared to the same period in 2021, primarily related to modestly lower persistency and higher deferred acquisition costs in recent periods due to strong sales.

Allocated net investment income in the 2022 period was comparable to the 2021 period, as the growth in the block was offset by lower average investment yields.

Advertising expense was \$29.3 million in the first quarter of 2022, up \$6.0 million from the comparable period in 2021. 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 or other factors.

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

	Three months ended	
	March 31,	
	2022	2021
Collected premiums from annuity and interest-sensitive life products:		
Annuities	\$ 368.6	\$ 325.4
Interest-sensitive life	56.6	54.5
Total collected premiums from annuity and interest-sensitive life products	<u>\$ 425.2</u>	<u>\$ 379.9</u>

Collected premiums from annuity and interest-sensitive products increased 12 percent in the first quarter of 2022 compared to the first quarter of 2021 primarily due to higher premium collections from fixed index annuity products.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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

	Three months ended March 31,	
	2022	2021
Net investment income	\$ 208.2	\$ 338.2
Allocated to product lines:		
Annuity	(115.1)	(115.7)
Health	(71.8)	(71.5)
Life	(36.3)	(35.8)
Equity returns credited to policyholder account balances	71.9	(42.5)
Amounts allocated to product lines and credited to policyholder account balances	(151.3)	(265.5)
Amount related to variable interest entities and other non-operating items	(7.2)	(7.8)
Interest expense on debt	(15.7)	(15.5)
Interest expense on investment borrowings	(2.4)	(2.7)
Expenses related to FABN program	(7.3)	—
Less amounts credited to deferred compensation plans (offsetting investment income)	4.2	(3.7)
Total adjustments	(28.4)	(29.7)
Investment income not allocated to product lines	\$ 28.5	\$ 43.0

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) and trading account income; 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 spread we earn from our FHLB investment borrowing and FABN programs.

Net Non-Operating Income (Loss):

The following summarizes our net non-operating income for the three months ending March 31, 2022 and 2021 (dollars in millions):

	Three months ended March 31,	
	2022	2021
Net realized investment gains (losses) from sales and change in allowance for credit losses (net of related amortization)	\$ (7.1)	\$ 3.6
Net change in market value of investments recognized in earnings	(25.5)	(6.4)
Fair value changes related to agent deferred compensation plan	22.7	13.2
Fair value changes in embedded derivative liabilities (net of related amortization)	90.8	82.1
Other	.4	.6
Net non-operating income before taxes	\$ 81.3	\$ 93.1

Net realized investment losses, net of related amortization, in the three months ended March 31, 2022, were \$7.1 million, including the unfavorable change in the allowance for credit losses of \$30.7 million which was recorded in earnings. Net realized investment gains, net of related amortization, in the three months ended March 31, 2021 were \$3.6 million, including the favorable change in the allowance for credit losses of \$9.6 million which was recorded in earnings.

The change in market value of investments recognized in earnings was a decrease of \$25.5 million and \$6.4 million in the first quarters of 2022 and 2021, respectively. The change in value will fluctuate from period to period based on market conditions.

During the first three months of 2022 and 2021, we recognized an increase in earnings of \$22.7 million and \$13.2 million, respectively, for the mark-to-market change in the agent deferred compensation plan liability which was impacted by changes in the underlying actuarial assumptions used to value the liability. We recognize the mark-to-market change in the estimated value of this liability through earnings as assumptions change.

The fair value changes in embedded derivative liabilities related to our fixed index annuities (net of related amortization) increased earnings by \$90.8 million and \$82.1 million in the first quarters of 2022 and 2021, 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 2022 and 2021 periods was the primary factor in the change in estimated fair value of the embedded derivative liabilities.

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**2022 Outlook**

Market volatility adversely impacted our results in the first quarter of 2022 (specifically the decrease in equity markets, the higher equity market volatility and increase in interest rates), decreasing our fixed index annuity margin by approximately \$10 million. If such market volatility persists in future periods, we expect it would have directionally similar adverse impacts on our results in those periods.

For the remainder of 2022, we expect:

- continued positive sales momentum with respect to new annualized premiums, collected premiums and fee revenue;
- continued net favorable COVID-19 impacts on insurance product margin, but tapering off over the course of the year;
- investment income allocated to product lines to be relatively flat compared to 2021;
- net investment income not allocated to product lines to trend lower in 2022, as compared to the elevated levels in 2021, as the yield on alternative investments moderates;
- earnings from our fee income segment to be higher in 2022 compared to 2021;
- total expenses allocated and not allocated to product lines in 2022 to trend modestly higher than 2021 (excluding certain significant items related to legal and regulatory matters and transaction expenses related to the acquisition of DirectPath) as we capture operating efficiencies, while also investing in growth; and
- effective tax rate in 2022 to be higher than 2021 primarily due to higher state income taxes.

In the aggregate, our consolidated RBC capital level and excess holding company liquidity are essentially in line with our target capital levels (see "—Liquidity for Insurance Operations" below).

We expect free cash flow to be less than the \$380 million generated in 2021, reflecting moderating yield on alternative investments and tapering of net favorable COVID-19 impacts, and our decision in 2021 to reduce capital and excess holding company liquidity to target levels which contributed to higher levels of free cash flow in 2021.

Our expectations are based on our financial model, which reflects our best estimate assumptions of various key variables. Given the unprecedented nature of the COVID-19 pandemic and the current macro-economic and geopolitical environment, the assumptions used in our modeling are based on variables that are inherently unpredictable, are subject to change, and have been difficult to predict accurately in prior periods. There are many plausible assumptions which could result in materially different projected outcomes from those used in our modeling which could affect our business, results of operations, financial condition and liquidity. The outcome generated by the application of updated assumptions may be materially different from those described above.

Our capital structure as of March 31, 2022 and December 31, 2021 was as follows (dollars in millions):

	March 31, 2022	December 31, 2021
Total capital:		
Corporate notes payable	\$ 1,137.6	\$ 1,137.3
Shareholders' equity:		
Common stock	1.2	1.2
Additional paid-in capital	2,085.7	2,184.2
Accumulated other comprehensive income	380.5	1,947.1
Retained earnings	1,223.5	1,127.2
Total shareholders' equity	3,690.9	5,259.7
Total capital	\$ 4,828.5	\$ 6,397.0

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

The following table summarizes certain financial ratios as of and for the three months ended March 31, 2022 and as of and for the year ended December 31, 2021:

	March 31, 2022	December 31, 2021
Book value per common share	\$ 31.48	\$ 43.69
Book value per common share, excluding accumulated other comprehensive income (a)	28.24	27.52
Debt to total capital ratios:		
Corporate debt to total capital	23.6 %	17.8 %
Corporate debt to total capital, excluding accumulated other comprehensive income (a)	25.6 %	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 and supplemental health 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, 2022, the carrying value of the FHLB common stock was \$75.2 million. As of March 31, 2022, 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, 2022, which are maintained in custodial accounts for the benefit of the FHLB.

In the third quarter of 2021, Bankers Life established a FABN program pursuant to which Bankers Life may issue funding agreements to a Delaware statutory trust organized in series (the "Trust") to generate spread-based earnings. The maximum aggregate principal amount of funding agreements permitted to be outstanding at any one time under the FABN program is \$3 billion. In October 2021, Bankers Life issued a funding agreement to a series of the Trust in an aggregate principal amount of \$500 million. In January 2022, Bankers Life issued two additional funding agreements, each to a series of the Trust, totaling \$900 million. Under current market conditions, we expect the FABN program to provide approximately 100 basis points of annualized pre-tax spread income on the notional amount of the funding agreements outstanding, net of the expense associated with the program. The activity related to the funding agreements is reported in investment income not allocated to product lines.

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 365 percent at March 31, 2022, compared to 386 percent at December 31, 2021. In the first three months of 2022, our estimated consolidated statutory operating earnings were \$30 million and insurance company dividends of \$69.6 million were paid to the holding company. Our RBC ratio at March 31, 2022, was 10 percentage points below our targeted statutory RBC ratio of 375 percent which is equivalent to approximately \$50 million of

capital. Our holding company liquidity at March 31, 2022, was \$192.3 million relative to our minimum target level of \$150 million (see "—Liquidity of the Holding Companies" below). In the aggregate, our RBC capital level and excess holding company liquidity were essentially in line with our target capital levels. Over time, as markets stabilize, we expect to manage back to the individual targets of a 375 percent consolidated statutory RBC ratio and a minimum \$150 million of holding company liquidity. We believe that the 375 percent RBC ratio target continues to adequately support our financial strength and credit ratings and is aligned with our risk appetite.

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

On January 26, 2022, AM Best upgraded the financial strength ratings of our primary insurance subsidiaries to "A" from "A-" and the outlook for these ratings is stable. The "A" rating is assigned to companies that have an excellent ability, in AM Best's opinion, to meet their ongoing obligations to policyholders. AM 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. AM Best has sixteen possible ratings. There are two ratings above the "A" rating of our primary insurance subsidiaries and thirteen ratings that are below that rating.

On December 2, 2021, 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 September 28, 2021, Moody's affirmed its "A3" financial strength ratings of our primary insurance subsidiaries. The outlook for these ratings remains stable. 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.

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.

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, 2022, 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 \$192.3 million of cash and investments which was comprised of: (i) unrestricted cash and cash equivalents of \$141.6 million; and (ii) exchange-traded funds that invest in fixed income securities of \$50.7 million. We expect to manage our liquidity levels closer to our minimum target level of \$150 million. Refer to "—Liquidity for Insurance Operations" above regarding our aggregate capital levels relative to our consolidated statutory RBC ratio target and minimum holding company liquidity target.

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 2022, our insurance subsidiaries paid dividends to CDOC totaling \$69.6 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 307 percent at March 31, 2022. 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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, 2022, the subsidiaries of CLTX had earned surplus (deficit) as summarized below (dollars in millions):

Subsidiaries of CLTX	Earned surplus (deficit)	Additional information
Bankers Life	\$ 242.5	(a)
Colonial Penn	(439.7)	(b)

- (a) Bankers Life paid dividends of \$45.0 million to CLTX in the first three months of 2022. Bankers Life may pay dividends without regulatory approval or prior notice for any 12-month period if such dividends are less than the greater of: (i) statutory net income for the prior year; or (ii) 10 percent of statutory capital and surplus as of the end of the preceding year. Dividends in excess of these levels require 30 days prior notice.
- (b) The deficit is primarily due to transactions which occurred several years ago, including a tax planning transaction and the fee paid to recapture a block of business previously ceded to an unaffiliated insurer.

A significant deterioration in the financial condition, earnings or cash flow of the material subsidiaries of CNO or CDOC for any reason could hinder such subsidiaries' ability to pay cash dividends or other disbursements to CNO and/or CDOC, which, in turn, could limit CNO's ability to meet debt service requirements and satisfy other financial obligations. In addition, we may choose to retain capital in our insurance subsidiaries or to contribute additional capital to our insurance subsidiaries to maintain or strengthen their surplus or fund 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, 2022, 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 2022, we generated \$60 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. 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 2022, we repurchased 4.1 million shares of common stock for \$100.0 million under our securities repurchase program. The Company had remaining repurchase authority of \$266.9 million as of March 31, 2022.

In the first three months of 2022, dividends declared on common stock totaled \$16.0 million (\$0.13 per common share). In May 2022, the Company increased its quarterly common stock dividend to \$0.14 per share from \$0.13 per share.

On January 26, 2022, AM Best upgraded our issuer credit and senior unsecured debt ratings to "bbb" from "bbb-" and the outlook for these ratings is stable. In AM 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. AM Best has a total of 22 possible ratings ranging from "aaa (Exceptional)" to "d (In default)". There are eight ratings above CNO's "bbb" rating and thirteen ratings that are below its rating.

On December 2, 2021, 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 September 28, 2021, Moody's affirmed its "Baa3" rating on our senior unsecured debt. The outlook for these ratings remains stable. 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.

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.

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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

INVESTMENTS

At March 31, 2022, 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	\$ 13,110.8	\$ 837.2	\$ (356.3)	\$ (19.9)	\$ 13,571.8
United States Treasury securities and obligations of United States government corporations and agencies	168.0	31.1	(2.5)	—	196.6
States and political subdivisions	2,634.4	155.7	(102.1)	(.6)	2,687.4
Foreign governments	78.2	5.1	(2.6)	(.1)	80.6
Asset-backed securities	1,034.6	7.5	(29.0)	(.1)	1,013.0
Agency residential mortgage-backed securities	33.9	1.8	—	—	35.7
Non-agency residential mortgage-backed securities	1,163.9	15.0	(51.8)	—	1,127.1
Collateralized loan obligations	681.8	.9	(6.2)	—	676.5
Commercial mortgage-backed securities	2,341.3	11.7	(59.2)	—	2,293.8
Total investment grade fixed maturities, available for sale	<u>21,246.9</u>	<u>1,066.0</u>	<u>(609.7)</u>	<u>(20.7)</u>	<u>21,682.5</u>
Below-investment grade (a) (b):					
Corporate securities	821.8	10.2	(24.1)	(15.7)	792.2
States and political subdivisions	11.6	—	(.1)	(.2)	11.3
Asset-backed securities	155.1	.5	(5.8)	—	149.8
Non-agency residential mortgage-backed securities	662.7	97.0	(2.5)	—	757.2
Collateralized loan obligations	7.4	—	(.5)	—	6.9
Commercial mortgage-backed securities	83.8	—	(4.3)	—	79.5
Total below-investment grade fixed maturities, available for sale	<u>1,742.4</u>	<u>107.7</u>	<u>(37.3)</u>	<u>(15.9)</u>	<u>1,796.9</u>
Total fixed maturities, available for sale	<u>\$ 22,989.3</u>	<u>\$ 1,173.7</u>	<u>\$ (647.0)</u>	<u>\$ (36.6)</u>	<u>\$ 23,479.4</u>

- (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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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:

<u>NAIC Designation</u>	<u>NRSRO Equivalent Rating</u>
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, 2022 is as follows (dollars in millions):

<u>NAIC designation</u>	<u>Amortized cost</u>	<u>Estimated fair value</u>	<u>Percentage of total estimated fair value</u>
1	\$ 13,170.7	\$ 13,426.8	57.2 %
2	8,713.2	8,988.5	38.3
Total NAIC 1 and 2 (investment grade)	21,883.9	22,415.3	95.5
3	750.8	735.5	3.1
4	299.9	289.3	1.2
5	33.8	32.4	.2
6	20.9	6.9	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	1,105.4	1,064.1	4.5
Total	\$ 22,989.3	\$ 23,479.4	100.0 %

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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, 2022 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
States and political subdivisions	\$ 2,698.7	11.5 %	\$ 102.2	15.8 %
Commercial mortgage-backed securities	2,373.3	10.1	63.5	9.8
Non-agency residential mortgage-backed securities	1,884.3	8.0	54.3	8.4
Banks	1,794.5	7.6	54.0	8.4
Insurance	1,556.9	6.6	37.8	5.8
Utilities	1,414.7	6.0	36.7	5.7
Healthcare/pharmaceuticals	1,408.5	6.0	46.1	7.1
Asset-backed securities	1,162.8	5.0	34.8	5.4
Brokerage	1,020.9	4.3	33.4	5.2
Technology	919.0	3.9	37.1	5.7
Food/beverage	867.8	3.7	15.5	2.4
Energy	746.9	3.2	11.5	1.8
Collateralized loan obligations	683.4	2.9	6.7	1.0
Cable/media	581.7	2.5	18.8	2.9
Transportation	468.7	2.0	3.7	.6
Telecom	442.3	1.9	1.7	.3
Real estate/REITs	437.0	1.9	8.0	1.2
Capital goods	403.6	1.7	4.1	.6
Chemicals	340.9	1.5	7.9	1.2
Aerospace/defense	237.1	1.0	8.2	1.3
Retail	234.7	1.0	11.1	1.7
Other	1,801.7	7.7	49.9	7.7
Total fixed maturities, available for sale	\$ 23,479.4	100.0 %	\$ 647.0	100.0 %

Below-Investment Grade Securities

At March 31, 2022, the amortized cost of the Company's below-investment grade fixed maturity securities, available for sale, was \$1,742.4 million, or 7.6 percent of the Company's fixed maturity portfolio (or \$1,105.4 million, or 4.8 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 \$1,796.9 million, or 103 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 2022, we recognized \$30.6 million of realized losses on sales of \$786.6 million of fixed maturity securities, available for sale, including: (i) \$14.6 million related to various corporate securities; (ii) \$9.8 million related to non-agency residential mortgage-backed securities; (iii) \$4.2 million related to states and political subdivisions; and (iv) \$2.0 million related to various other investments. Securities are generally sold at a loss following unforeseen issuer-specific events or conditions or shifts in perceived relative values. These reasons include but are not limited to: (i) changes in the investment environment; (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; (v) better match certain characteristics of our investment portfolio with the corresponding characteristics of our insurance liabilities; or (vi) changes in expected portfolio cash flows.

During the first three months of 2021, we recognized \$13.8 million of realized losses on sales of \$215.5 million of fixed maturity securities, available for sale related to various corporate securities.

The following summarizes the investments sold at a loss during the first three months of 2022 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):

	Number of issuers	At date of sale	
		Amortized cost	Fair value
Less than 6 months prior to sale	4	\$ 11.3	\$ 6.0

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, 2022, 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	\$ 4.7	\$ 2.6
Due after one year through five years	675.1	646.3
Due after five years through ten years	1,443.1	1,367.4
Due after ten years	4,486.2	4,068.6
Subtotal	6,609.1	6,084.9
Structured securities	3,949.3	3,789.9
Total	\$ 10,558.4	\$ 9,874.8

The following summarizes the investments in our portfolio rated below-investment grade not deemed to have credit losses which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of March 31, 2022 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	1	\$ 5.0	\$ (1.1)	\$ 3.9

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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, 2022 (dollars in millions):

	Investment grade			Below-investment grade			Total gross unrealized losses
	AAA/AA/A	BBB		BB	B+ and below		
States and political subdivisions	\$ 100.8	\$ 1.3	\$ —	\$.1	\$		102.2
Commercial mortgage-backed securities	46.8	12.4	4.3	—			63.5
Non-agency residential mortgage-backed securities	23.9	27.9	1.4	1.1			54.3
Banks	31.8	22.0	.2	—			54.0
Healthcare/pharmaceuticals	37.5	7.4	.9	.3			46.1
Insurance	20.5	15.8	1.3	.2			37.8
Technology	20.4	15.3	.9	.5			37.1
Utilities	17.1	19.0	.6	—			36.7
Asset-backed securities	10.1	18.9	5.1	.7			34.8
Brokerage	10.3	22.4	.6	.1			33.4
Cable/media	2.6	13.6	1	1.6			18.8
Food/beverage	3.4	11.4	.1	.6			15.5
Energy	1.4	3.9	.6	5.6			11.5
Retail	7.8	2.3	1.0	—			11.1
Consumer products	7.3	2.3	.1	.9			10.6
Aerospace/defense	.9	6.9	—	.4			8.2
Real estate/REITs	7.0	.9	.1	—			8.0
Chemicals	.8	3.8	.2	3.1			7.9
Collateralized loan obligations	4.9	1.3	.5	—			6.7
Building materials	1.6	3.0	.1	.3			5.0
Autos	.9	3.9	.2	—			5.0
Capital goods	2.8	1.0	.2	.1			4.1
Transportation	2.1	1.4	—	.2			3.7
Foreign governments	.8	1.8	—	—			2.6
United States Treasury securities and obligations of United States government corporations and agencies	2.5	—	—	—			2.5
Entertainment/hotels	1.5	.6	—	—			2.1
Metals and mining	—	1.7	.2	.1			2.0
Telecom	—	1.7	—	—			1.7
Paper	.4	1.0	.2	.1			1.7
Other	10.4	6.5	1.2	.3			18.4
Total fixed maturities, available for sale	\$ 378.3	\$ 231.4	\$ 21.0	\$ 16.3	\$		647.0

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, 2022, fixed maturity investments included structured securities with an estimated fair value of \$6.1 billion (or 26.1 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, 2022, summarized by type of security, were as follows (dollars in millions):

Type	Amortized cost	Estimated fair value	
		Amount	Percent of fixed maturities
Asset-backed securities	\$ 1,189.7	\$ 1,162.8	4.9 %
Agency residential mortgage-backed securities	33.9	35.7	.2
Non-agency residential mortgage-backed securities	1,826.6	1,884.3	8.0
Collateralized loan obligations	689.2	683.4	2.9
Commercial mortgage-backed securities	2,425.1	2,373.3	10.1
Total structured securities	\$ 6,164.5	\$ 6,139.5	26.1 %

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, but are not limited to, 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):

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

	Three months ended March 31,	
	2022	2021
Revenues:		
Net investment income – policyholder and other special-purpose portfolios	\$ 10.8	\$ 11.8
Fee revenue and other income	1.4	1.3
Total revenues	<u>12.2</u>	<u>13.1</u>
Expenses:		
Interest expense	5.7	5.9
Other operating expenses	.4	.4
Total expenses	<u>6.1</u>	<u>6.3</u>
Income before net investment gains (losses) and income taxes	6.1	6.8
Net investment gains (losses)	<u>(3.2)</u>	<u>4.1</u>
Income before income taxes	<u>\$ 2.9</u>	<u>\$ 10.9</u>

Supplemental Information on Investments Held by VIEs

The following table summarizes the carrying values and gross unrealized losses of the investments held by the VIEs by category as of March 31, 2022 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Technology	\$ 148.2	12.6 %	\$ 1.1	8.4 %
Healthcare/pharmaceuticals	132.5	11.2	1.3	9.9
Cable/media	129.8	11.0	1.6	12.1
Food/beverage	83.5	7.1	1.3	10.0
Capital goods	68.5	5.8	1.0	8.0
Chemicals	67.4	5.7	.7	5.0
Building materials	62.8	5.3	.6	5.0
Brokerage	56.9	4.8	.5	3.9
Consumer products	52.1	4.4	.8	5.8
Paper	50.1	4.2	.7	5.4
Utilities	38.7	3.3	.6	4.3
Aerospace/defense	35.5	3.0	.2	1.8
Insurance	35.2	3.0	.4	2.9
Autos	35.0	3.0	.4	3.1
Transportation	34.7	2.9	.3	1.9
Business services	23.9	2.0	.4	3.2
Retail	15.4	1.3	.1	1.0
Banks	11.9	1.0	.1	1.0
Other	98.7	8.4	1.0	7.3
Total	<u>\$ 1,180.8</u>	<u>100.0 %</u>	<u>\$ 13.1</u>	<u>100.0 %</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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, 2022, by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due after one year through five years	\$ 624.4	\$ 612.4
Due after five years through ten years	496.7	489.7
Total	<u>\$ 1,121.1</u>	<u>\$ 1,102.1</u>

There were no investments sold at a loss during the first three months of 2022 which had been continuously in an unrealized loss position exceeding 20 percent of the amortized cost basis prior to the sale.

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, 2021. There have been no material changes in the first three months of 2022 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, 2022, 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, 2022, 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, 2021, 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.

Period (in 2022)	Issuer Purchases of Equity Securities		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)
	Total number of shares (or units) purchased	Average price paid per share (or unit)		
January 1 through January 31	1,573,755	\$ 25.21	1,572,335	\$ 327.3
February 1 through February 28	1,171,396	24.84	901,547	304.9
March 1 through March 31	1,699,578	24.13	1,582,976	266.9
Total	4,444,729	24.70	4,056,858	266.9

- (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	<u>Form of restricted stock unit award agreement for 2022 under the Amended and Restated Long-Term Incentive Plan.</u>
10.2	<u>Form of performance stock unit award agreement for 2022 under the Amended and Restated Long-Term Incentive Plan.</u>
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
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 6, 2022

By: /s/ John R. Kline

John R. Kline

Senior Vice President and Chief Accounting Officer

(authorized officer and principal accounting officer)

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

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, 2022 to and including the date of your Retirement divided by 1,096 and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive shares of Common Stock under this award.

(c) If your employment is terminated by the Company or a Subsidiary due to your death or Disability, then a pro rata portion of the Performance Shares shall vest (based on the number of days from the beginning of the performance period to and including the date your employment is

terminated) and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive shares of Common Stock under such award.

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

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

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

5. Dividend, Voting and Other Rights.

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

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

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

“Board” means the Board of Directors of the Company.

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

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

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

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

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

“Change in Control” means the occurrence of any of the following events:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this agreement shall be in writing and shall be deemed to have been given when (i) delivered personally, (ii) mailed by certified or registered mail, return receipt requested and postage prepaid or (iii) sent by reputable overnight courier, to the recipient. Such notices, demands and other communications shall be sent to you at the address on file with the Company and to the Company at 11825 N. Pennsylvania Street, 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

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 5, 2022

/s/ Gary C. Bhojwani

Gary C. Bhojwani
Chief Executive Officer

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 5, 2022

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

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, 2022 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 5, 2022

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.

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, 2022 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 5, 2022

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.