

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

Form 10-Q

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

For the quarterly period ended September 30, 2023

☐ 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 October 25, 2023: 112,170,646

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

(Dollars in millions)
(unaudited)

ASSETS		September 30, 2023	December 31, 2022
			(As recast)
Investments:			
Fixed maturities, available for sale, at fair value (net of allowance for credit losses: September 30, 2023 - \$69.4 and December 31, 2022 - \$56.0; amortized cost: September 30, 2023 - \$23,899.5 and December 31, 2022 - \$23,384.2)	\$	20,305.2	\$ 20,353.4
Equity securities at fair value		95.5	135.3
Mortgage loans (net of allowance for credit losses: September 30, 2023 - \$10.9 and December 31, 2022 - \$8.0)		1,971.3	1,411.9
Policy loans		126.4	121.6
Trading securities		221.2	207.9
Investments held by variable interest entities (net of allowance for credit losses: September 30, 2023 - \$2.9 and December 31, 2022 - \$5.5; amortized cost: September 30, 2023 - \$880.6 and December 31, 2022 - \$1,134.2)		858.1	1,077.6
Other invested assets		1,119.9	1,034.7
Total investments		24,697.6	24,342.4
Cash and cash equivalents - unrestricted		460.8	575.7
Cash and cash equivalents held by variable interest entities		122.0	69.2
Accrued investment income		252.3	235.6
Present value of future profits		186.2	203.7
Deferred acquisition costs		1,897.5	1,770.9
Reinsurance receivables (net of allowance for credit losses: September 30, 2023 - \$3.0 and December 31, 2022 - \$2.0)		4,053.2	4,223.4
Market risk benefit asset		89.3	65.3
Income tax assets, net		1,039.8	1,063.4
Assets held in separate accounts		2.9	2.7
Other assets		705.8	580.8
Total assets	\$	33,507.4	\$ 33,133.1

(continued on next page)

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2023	December 31, 2022 (As recast)
Liabilities:		
Liabilities for insurance products:		
Policyholder account balances	\$ 15,481.8	\$ 15,234.2
Future policy benefits	10,829.9	11,240.2
Market risk benefit liability	3.1	11.3
Liability for life insurance policy claims	60.8	64.1
Unearned and advanced premiums	221.2	235.0
Liabilities related to separate accounts	2.9	2.7
Other liabilities	869.6	693.9
Investment borrowings	2,089.4	1,639.5
Borrowings related to variable interest entities	918.5	1,104.6
Notes payable – direct corporate obligations	1,140.1	1,138.8
Total liabilities	<u>31,617.3</u>	<u>31,364.3</u>
Commitments and Contingencies		
Shareholders' equity:		
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: September 30, 2023 – 112,163,169; December 31, 2022 – 114,343,070)	1.1	1.1
Additional paid-in capital	1,965.3	2,033.8
Accumulated other comprehensive loss	(1,956.7)	(1,957.3)
Retained earnings	1,880.4	1,691.2
Total shareholders' equity	<u>1,890.1</u>	<u>1,768.8</u>
Total liabilities and shareholders' equity	<u>\$ 33,507.4</u>	<u>\$ 33,133.1</u>

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(As recast)		(As recast)	
Revenues:				
Insurance policy income	\$ 626.0	\$ 623.2	\$ 1,879.8	\$ 1,873.8
Net investment income:				
General account assets	324.8	289.0	925.1	884.2
Policyholder and other special-purpose portfolios	(33.0)	(20.9)	109.4	(184.0)
Investment gains (losses):				
Realized investment gains (losses)	(21.6)	(8.2)	(58.0)	3.6
Other investment losses	(7.7)	(9.5)	(21.2)	(102.8)
Total investment losses	(29.3)	(17.7)	(79.2)	(99.2)
Fee revenue and other income	59.0	31.7	141.2	128.4
Total revenues	947.5	905.3	2,976.3	2,603.2
Benefits and expenses:				
Insurance policy benefits	399.1	396.1	1,574.7	1,032.2
Liability for future policy benefits remeasurement loss	(.1)	(5.0)	8.8	2.3
Change in fair value of market risk benefits	(33.8)	(34.9)	(36.6)	(117.9)
Interest expense	62.6	37.6	174.9	89.2
Amortization of deferred acquisition costs and present value of future profits	57.0	53.5	168.5	158.5
Other operating costs and expenses	247.1	230.1	775.3	670.9
Total benefits and expenses	731.9	677.4	2,665.6	1,835.2
Income before income taxes	215.6	227.9	310.7	768.0
Income tax expense on period income	48.3	52.0	70.5	175.4
Net income	\$ 167.3	\$ 175.9	\$ 240.2	\$ 592.6
Earnings per common share:				
Basic:				
Weighted average shares outstanding	112,689,000	114,354,000	113,836,000	116,170,000
Net income	\$ 1.48	\$ 1.54	\$ 2.11	\$ 5.10
Diluted:				
Weighted average shares outstanding	114,462,000	115,928,000	115,613,000	118,072,000
Net income	\$ 1.46	\$ 1.52	\$ 2.08	\$ 5.02

The accompanying notes are an integral part
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CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022 (As recast)	2023	2022 (As recast)
Net income	\$ 167.3	\$ 175.9	\$ 240.2	\$ 592.6
Other comprehensive income (loss), before tax:				
Unrealized losses on investments	(922.4)	(1,407.2)	(569.1)	(6,128.2)
Adjustment to discount rate for liability for future policy benefits	627.0	862.6	520.9	3,241.4
Adjustment to instrument-specific credit risk for market risk benefits	(3.0)	.3	(4.4)	11.0
Reclassification adjustments:				
For net realized investment losses included in net income	12.0	1.0	52.1	36.0
Other comprehensive loss before tax	(286.4)	(543.3)	(.5)	(2,839.8)
Income tax benefit related to items of accumulated other comprehensive loss	63.2	121.3	1.1	628.3
Other comprehensive income (loss), net of tax	(223.2)	(422.0)	.6	(2,211.5)
Comprehensive income (loss)	\$ (55.9)	\$ (246.1)	\$ 240.8	\$ (1,618.9)

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

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

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Shares	Amount				
Balance, June 30, 2022 (as recast)	114,795	\$ 1.1	\$ 2,032.7	\$ (1,415.8)	\$ 1,509.9	\$ 2,127.9
Net income	—	—	—	—	175.9	175.9
Other comprehensive loss, net of tax	—	—	—	(422.0)	—	(422.0)
Common stock repurchased	(561)	—	(10.0)	—	—	(10.0)
Dividends on common stock	—	—	—	—	(16.3)	(16.3)
Employee benefit plans, net of shares used to pay tax withholdings	133	—	7.9	—	—	7.9
Balance, September 30, 2022 (as recast)	114,367	\$ 1.1	\$ 2,030.6	\$ (1,837.8)	\$ 1,669.5	\$ 1,863.4
Balance, June 30, 2023	113,674	\$ 1.1	\$ 1,997.9	\$ (1,733.5)	\$ 1,730.3	\$ 1,995.8
Net income	—	—	—	—	167.3	167.3
Other comprehensive loss, net of tax	—	—	—	(223.2)	—	(223.2)
Common stock repurchased	(1,646)	—	(40.0)	—	—	(40.0)
Dividends on common stock	—	—	—	—	(17.2)	(17.2)
Employee benefit plans, net of shares used to pay tax withholdings	135	—	7.4	—	—	7.4
Balance, September 30, 2023	112,163	\$ 1.1	\$ 1,965.3	\$ (1,956.7)	\$ 1,880.4	\$ 1,890.1

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

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

	Common stock		Additional	Accumulated other	Retained	Total
	Shares	Amount	paid-in capital	comprehensive income (loss)	earnings	
Balance, December 31, 2021 (as recast)	120,377	\$ 1.2	\$ 2,184.2	\$ 373.7	\$ 1,125.6	\$ 3,684.7
Net income	—	—	—	—	592.6	592.6
Other comprehensive loss, net of tax	—	—	—	(2,211.5)	—	(2,211.5)
Common stock repurchased	(7,168)	(.1)	(169.9)	—	—	(170.0)
Dividends on common stock	—	—	—	—	(48.7)	(48.7)
Employee benefit plans, net of shares used to pay tax withholdings	1,158	—	16.3	—	—	16.3
Balance, September 30, 2022 (as recast)	<u>114,367</u>	<u>\$ 1.1</u>	<u>\$ 2,030.6</u>	<u>\$ (1,837.8)</u>	<u>\$ 1,669.5</u>	<u>\$ 1,863.4</u>
Balance, December 31, 2022 (as recast)	114,343	\$ 1.1	\$ 2,033.8	\$ (1,957.3)	\$ 1,691.2	\$ 1,768.8
Net income	—	—	—	—	240.2	240.2
Other comprehensive income, net of tax	—	—	—	.6	—	.6
Common stock repurchased	(3,625)	—	(85.1)	—	—	(85.1)
Dividends on common stock	—	—	—	—	(51.0)	(51.0)
Employee benefit plans, net of shares used to pay tax withholdings	1,445	—	16.6	—	—	16.6
Balance, September 30, 2023	<u>112,163</u>	<u>\$ 1.1</u>	<u>\$ 1,965.3</u>	<u>\$ (1,956.7)</u>	<u>\$ 1,880.4</u>	<u>\$ 1,890.1</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)

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Insurance policy income	\$ 1,713.4	\$ 1,724.9
Net investment income	979.5	832.2
Fee revenue and other income	167.0	110.4
Insurance policy benefits	(1,215.2)	(1,243.4)
Interest expense	(155.3)	(65.8)
Deferrable policy acquisition costs	(277.6)	(248.5)
Other operating costs	(759.7)	(754.6)
Income taxes	(45.9)	(20.7)
Net cash from operating activities	406.2	334.5
Cash flows from investing activities:		
Sales of investments	992.5	2,764.9
Maturities and redemptions of investments	1,026.8	1,265.1
Purchases of investments	(2,897.1)	(5,521.1)
Net purchases of trading securities	(37.2)	(37.4)
Other	(30.3)	(39.4)
Net cash used by investing activities	(945.3)	(1,567.9)
Cash flows from financing activities:		
Issuance of common stock	11.1	6.6
Payments to repurchase common stock	(95.8)	(180.2)
Common stock dividends paid	(51.4)	(48.7)
Proceeds from financing arrangements	78.2	—
Amounts received for deposit products	1,537.6	2,457.8
Withdrawals from deposit products	(1,265.8)	(1,071.0)
Issuance of investment borrowings:		
Federal Home Loan Bank	895.5	210.0
Payments on investment borrowings:		
Federal Home Loan Bank	(445.6)	(285.9)
Related to variable interest entities	(186.8)	(33.4)
Net cash provided by financing activities	477.0	1,055.2
Net decrease in cash and cash equivalents	(62.1)	(178.2)
Cash and cash equivalents - unrestricted and held by variable interest entities, beginning of period	644.9	731.7
Cash and cash equivalents - unrestricted and held by variable interest entities, end of period	\$ 582.8	\$ 553.5

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

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"). Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

Effective January 1, 2023, we adopted Accounting Standards Update 2018-12 ("ASU 2018-12") related to targeted improvements to the accounting for long-duration insurance contracts, with a transition date of January 1, 2021 (the "Transition Date"). The adoption of ASU 2018-12 impacted accounting and presentation related to long-duration insurance contracts and certain related balances for the years ended December 31, 2022 and 2021. Amounts within these interim financial statements, which were previously presented, have been recast to conform with the current accounting and presentation under ASU 2018-12. Disclosures of the impacts of ASU 2018-12 as of the Transition Date are included within the tables in the note to the consolidated financial statements entitled "Recently Adopted Accounting Standards."

Except for balances affected by the adoption of ASU 2018-12, the December 31, 2022 consolidated balance sheet data was derived from the audited consolidated financial statements included in our 2022 Annual Report on Form 10-K. Accordingly, these interim consolidated financial statements should be read together with the consolidated financial statements included in our 2022 Annual Report on Form 10-K.

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 are unaudited and 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies that have been added or updated as a result of the adoption of ASU 2018-12:

Deferred acquisition costs, present value of future profits and sales inducements

Deferred acquisition costs represent policy acquisition costs that have been capitalized and are subject to amortization. Capitalized costs are incremental costs directly related to the successful acquisition of new or renewal insurance contracts.

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

Such costs consist primarily of commissions, underwriting, sales and contract issuance and processing expenses. Contracts are grouped by contract type and issue year into cohorts consistent with the grouping used in estimating the associated liability. Deferred acquisition costs are amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. For life and health insurance products, the constant level basis used is policy counts. For all annuity products, the constant level basis used is the initial deposit in force. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on our experience, industry data, and other factors and are consistent with those used for the liability for future policy benefits. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at the time. Unexpected lapses, due to higher mortality and lapse experience than expected, are recognized in the current period as a reduction of the capitalized balances. Changes in future estimates are recognized prospectively over the remaining expected contract term. The carrying amount of deferred acquisition costs is no longer subject to recovery testing after the adoption of ASU 2018-12.

The present value of future profits is the value assigned to the right to receive future cash flows from policyholder insurance contracts existing at September 10, 2003 (the effective date of the bankruptcy reorganization of Conseco, Inc. (the "Predecessor")). The present value of future profits is amortized in the same manner as described above for deferred acquisition costs, although such balances are subject to periodic recovery testing.

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 (and are classified as deferred acquisition costs in the consolidated balance sheet). Unlike deferred acquisition costs, such amounts are considered contractual cash flows and, as a result, are subject to periodic recovery testing.

Market risk benefits

Market risk benefits ("MRBs") are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Many of our fixed indexed annuity products include a guaranteed living withdrawal benefit ("GLWB") that is considered a MRB. MRBs are measured at fair value using an option-based valuation model based on amount of exposure, market data, Company experience and other factors. Changes in fair value are recognized in earnings each period with the exception of the portion of the change in fair value due to a change in the instrument-specific credit risk, which is recognized in accumulated other comprehensive income (loss). MRBs in an asset position are presented separately from those in a liability position as there is no legal right of offset between contracts.

Policyholder account balances

Policyholder account balances represent the contract value that has accrued to the benefit of the policyholder as of the balance sheet date. It includes the accumulated account deposits, plus interest credited, less policyholder withdrawals and, if applicable, charges assessed. This balance also includes liabilities for the funding agreement-backed notes ("FABN").

Total liabilities for insurance products related to our fixed indexed annuities are comprised of: (i) the liability related to the host contract; and (ii) the fair market value of the embedded derivatives as summarized below (dollars in millions):

	September 30, 2023	December 31, 2022
Fixed indexed annuity insurance liabilities:		
Host contract liability	\$ 8,284.5	\$ 7,856.4
Embedded derivatives at fair value	1,213.4	1,297.0
Total fixed indexed annuity insurance liabilities	<u>\$ 9,497.9</u>	<u>\$ 9,153.4</u>

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

For presentation in the consolidated balance sheet, the total fixed indexed annuity insurance liability balance is bifurcated between: (i) policyholder account balances (which is the total of all current balances accruing to the policyholder under the terms and conditions of the policies assuming the contracts will continue in force); and (ii) the difference between the total fixed indexed annuity insurance liabilities summarized above and the policyholder account balances, which is classified as future policy benefits. These classifications are summarized below (dollars in millions):

	September 30, 2023	December 31, 2022
Policyholder account balances	\$ 9,960.6	\$ 9,644.8
Future policy benefits	(462.7)	(491.4)
Total fixed indexed annuity insurance liabilities	<u>\$ 9,497.9</u>	<u>\$ 9,153.4</u>

When the total policyholder account balance exceeds the total fixed indexed annuity insurance liabilities, a negative future policy benefit balance will occur.

Liability for future policy benefits

The liability for future policy benefits is the present value of estimated future policy benefits to be paid to or on behalf of policyholders and certain related expenses (where the timing and amount of payment depends on policyholder mortality or morbidity), less the present value of estimated future net premiums to be collected from policyholders (where net premiums are gross premiums multiplied by the net-to-gross ratio discussed below). The liability for future policy benefits is accrued over time as premium revenue is recognized. The liability is estimated using current assumptions that include discount rates, mortality, morbidity, lapse/withdrawal rates and expenses. Such assumptions are based on our historical experience, industry data, and other factors that are inherently uncertain.

This liability also includes the amount of total reserves above (below) policyholder account balances for our fixed indexed annuity products due to the valuation of the related embedded derivative as described above.

The liability for future policy benefits is established using a net premium ratio approach where net premiums (the portion of gross premiums required to fund expected insurance benefits and claims settlement expenses) under the contract are accrued each period as the liability for future policy benefits. The net premium ratio used to accrue the liability for future policy benefits in each period is determined by using the historical and present value of expected future benefits and claim adjustment expenses for the cohort divided by the historical and present value of expected future gross premiums for the cohort.

Our long duration insurance contracts are grouped into annual calendar-year cohorts primarily based on the contractual issue date, marketing distribution channel, legal entity and product type. Single premium contracts are grouped into separate cohorts from other traditional products. Riders are generally combined with the base policy. Insurance contracts which were issued prior to September 10, 2003 (the effective date of the bankruptcy reorganization of our Predecessor) are grouped by marketing distribution channel, legal entity and product type in a single issue year cohort. The liability is adjusted for differences between actual and expected experience. We review our historical and future cash flow assumptions quarterly and update the net premium ratio used to calculate the liability each time the assumptions are changed. Each quarter, we update our estimates of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. These updated cash flows are used to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits as of the beginning of the current reporting period, discounted at the original contract issuance discount rate. This amount is then compared to the carrying amount of the liability as of that same date, before the updating of cash flow assumptions, to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented as a separate component of benefit expense in the consolidated statement of operations. In subsequent periods, the revised net premiums are used to measure the liability for future policy benefits, subject to future revisions.

If a cohort is in a loss position where the liability for future policy benefits plus the present value of expected future gross premiums is determined to be insufficient to provide for expected future policy benefits and claim settlement costs, the

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net to gross ratio is capped at 100 percent. When this occurs, all changes in expected benefits resulting from both actual experience deviations and changes in future assumptions are recognized immediately.

The locked-in discount rate is generally based on expected investment returns at contract inception for contracts issued prior to January 1, 2021 and the upper medium grade fixed income corporate instrument yield ("A" credit rated corporate bond yield) at contract inception for contracts issued after January 1, 2021. The contract inception date for contracts issued by the Predecessor is September 10, 2003. The discount rate in effect at contract inception is locked-in for the calculation of the net to gross ratio and accretion of interest cost on the liability is recorded through net income. However, for balance sheet remeasurement purposes, the discount rate is updated using the current rate at each reporting period with the impact resulting from such updates recorded in other comprehensive income.

We develop discount rate curves for discounting cash flows to calculate the liability for future policy benefits based on the duration characteristics of the underlying liabilities. For liability cash flows that are projected beyond the duration of market-observable A-credit-rated fixed-income instruments, we use the last market-observable yield level and use linear interpolation to determine yield assumptions for durations that do not have market-observable yields.

Liability for life insurance policy claims

The liability for life insurance policy claims include life policy and contract claims, including incurred but not reported claims. The liability for these claims is based on our estimated ultimate cost to settle all claims that have been incurred as of the reporting date. Such amounts are estimated based on an analysis of historical patterns of claims, which are continually reviewed and updated. Adjustments resulting from differences between our estimates and actual payments are recognized in the period the estimates are made or claims are paid.

Deferred profit liability

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability ("DPL"). Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses and expenses.

The DPL is amortized and recognized in insurance policy benefits in proportion to insurance in force for life insurance contracts and expected future benefit payments for annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. We review and update the estimate of cash flows for the DPL at the same time as the estimate of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period and any difference is recognized as either a charge or credit to insurance policy benefits.

Reinsurance

We have determined that each of our reinsurance agreements provide indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Such reinsurance permits recovery of the reinsured losses from reinsurers, although it does not discharge our primary liability as the direct insurer of the risks reinsured.

The reinsurance recoverable for traditional and limited-payment contracts is generally measured using a net premium ratio approach to accrue the projected net gain or loss on reinsurance in proportion to the gross premiums of the underlying reinsured cohorts. Such amount is adjusted on a quarterly basis for actual experience and at least once a year for any changes in cash flow assumptions.

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RECENTLY ADOPTED ACCOUNTING STANDARDS

We adopted ASU 2018-12 effective January 1, 2023. 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, MRBs and deferred acquisition costs. Additionally, qualitative and quantitative information about expected cash flows, estimates and assumptions is required. The new measurement guidance for traditional and limited-payment contract liabilities and the new guidance for the amortization of deferred acquisition costs was adopted on a modified retrospective transition approach. For contracts in-force at the Transition Date, we 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 is used at transition through accumulated other comprehensive income (loss) and subsequently through other comprehensive income. For MRBs, we use the required retrospective application and were able to use hindsight to measure fair value components to the extent assumptions in a prior period are unobservable or otherwise unavailable.

We selected the modified retrospective transition method, except for MRBs where we are required to use the full retrospective approach. Pursuant to ASU 2018-12, the account balances subject to the guidance were recast on the Transition Date. The following summarizes the impact of adoption on the Transition Date (dollars in millions):

	January 1, 2021		
	Amounts prior to adoption of ASU 2018-12	Effect of adoption	As recast
Present value of future profits	\$ 249.4	\$ 10.2	\$ 259.6
Deferred acquisition costs	1,027.8	458.0	1,485.8
Reinsurance receivables	4,584.3	144.1	4,728.4
Market risk benefit asset	—	2.5	2.5
Income tax assets, net	199.4	607.0	806.4
Total assets	35,339.9	1,221.8	36,561.7
Policyholder account balances	12,540.6	(172.9)	12,367.7
Future policy benefits	11,744.2	3,960.7	15,704.9
Market risk benefit liability	—	114.8	114.8
Liability for policy and contract claims	561.8	(470.1)	91.7
Total liabilities	29,855.7	3,432.5	33,288.2
Retained earnings	752.3	(130.9) (a)	621.4
Accumulated other comprehensive income (loss)	2,186.1	(2,079.8)	106.3
Total shareholders' equity	5,484.2	(2,210.7)	3,273.5

- (a) The impact to retained earnings was primarily related to certain long-term care product cohorts where the present value of expected benefits exceeded the reserve at the Transition Date plus the present value of future gross premiums. As a result, the net premium ratio was capped at 100 percent with an immediate increase in the reserve for such cohorts.

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The following summarizes the impact of adoption on previously reported balances as of December 31, 2022 and as of and for the three and nine months ended September 30, 2022 (dollars in millions, except per share data):

	December 31, 2022		
	As previously reported	Effect of adoption	As recast
Present value of future profits	\$ 212.2	\$ (8.5)	\$ 203.7
Deferred acquisition costs	1,913.4	(142.5)	1,770.9
Reinsurance receivables	4,241.7	(18.3)	4,223.4
Market risk benefit asset	—	65.3	65.3
Income tax assets, net	1,165.5	(102.1)	1,063.4
Total assets	33,339.2	(206.1)	33,133.1
Policyholder account balances	14,858.3	375.9	15,234.2
Future policy benefits	11,809.1	(568.9)	11,240.2
Market risk benefit liability	—	11.3	11.3
Liability for policy and contract claims	456.5	(392.4)	64.1
Total liabilities	31,938.4	(574.1)	31,364.3
Retained earnings	1,459.0	232.2	1,691.2
Accumulated other comprehensive income (loss)	(2,093.1)	135.8	(1,957.3)
Total shareholders' equity	1,400.8	368.0	1,768.8

	Three months ended September 30, 2022		
	As previously reported	Effect of adoption	As recast
Insurance policy benefits	\$ 412.2	\$ (16.1)	\$ 396.1
Liability for future policy benefits remeasurement loss	—	(5.0)	(5.0)
Change in fair value of market risk benefits	—	(34.9)	(34.9)
Amortization	87.5	(34.0)	53.5
Other operating costs and expenses	230.8	(.7)	230.1
Total benefits and expenses	768.1	(90.7)	677.4
Income before income taxes	137.2	90.7	227.9
Income tax expense	32.2	19.8	52.0
Net income	105.0	70.9	175.9
Earnings per common share - basic	\$ 0.92	\$ 0.62	\$ 1.54
Earnings per common share - diluted	0.91	0.61	1.52

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September 30, 2022

	As previously reported	Effect of adoption	As recast
Insurance policy benefits	\$ 1,099.1	\$ (66.9)	\$ 1,032.2
Liability for future policy benefits remeasurement loss	—	2.3	2.3
Change in fair value of market risk benefits	—	(117.9)	(117.9)
Amortization	279.5	(121.0)	158.5
Other operating costs and expenses	673.5	(2.6)	670.9
Total benefits and expenses	2,141.3	(306.1)	1,835.2
Income before income taxes	461.9	306.1	768.0
Income tax expense	108.5	66.9	175.4
Net income	353.4	239.2	592.6
Earnings per common share - basic	\$ 3.04	\$ 2.06	\$ 5.10
Earnings per common share - diluted	2.99	2.03	5.02

As of September 30, 2022

	As previously reported	Effect of adoption	As recast
Retained earnings	\$ 1,431.9	\$ 237.6	\$ 1,669.5
Accumulated other comprehensive loss	(2,165.7)	327.9	(1,837.8)
Total shareholders' equity	1,297.9	565.5	1,863.4

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The following tables detail the January 1, 2021 transition adjustments by providing a rollforward of the ending reported balances as of December 31, 2020 to the opening balances as of January 1, 2021 for insurance-related balances, accumulated other comprehensive income and retained earnings (dollars in millions):

	January 1, 2021				
	Asset accounts				
	Present value of future profits	Deferred acquisition costs	Reinsurance receivables	Market risk benefit asset	Income tax assets, net
Amounts prior to adoption of ASU 2018-12	\$ 249.4	\$ 1,027.8	\$ 4,584.3	\$ —	\$ 199.4
Unwinding amounts related to unrealized gains (losses)	10.2	458.0	—	—	—
Changes in measurement of assets	—	—	(81.6)	—	—
Change in discount rates	—	—	225.7	—	—
Changes in market benefit reserve basis	—	—	—	2.5	—
Tax impacts of changes recognized in accumulated other comprehensive income	—	—	—	—	570.3
Tax impacts of changes recognized in retained earnings	—	—	—	—	36.7
Amounts, as recast	<u>\$ 259.6</u>	<u>\$ 1,485.8</u>	<u>\$ 4,728.4</u>	<u>\$ 2.5</u>	<u>\$ 806.4</u>

	January 1, 2021			
	Liability accounts			
	Policyholder account balances	Future policy benefits	Market risk benefit liability	Liability for policy and contract claims
Amounts prior to adoption of ASU 2018-12	\$ 12,540.6	\$ 11,744.2	\$ —	\$ 561.8
Unwinding amounts related to unrealized gains (losses)	—	(197.5)	—	—
Changes in remeasurement of future policy benefits	—	31.1	—	—
Changes in classification of liabilities (1)	(172.9)	643.0	—	(470.1)
Reclass to market risk benefit liability	—	(66.6)	66.6	—
Changes in market risk benefit reserve basis	—	—	48.2	—
Change in discount rates	—	3,550.7	—	—
Amounts, as recast	<u>\$ 12,367.7</u>	<u>\$ 15,704.9</u>	<u>\$ 114.8</u>	<u>\$ 91.7</u>

(1) Amount includes certain reclassifications to conform with the revised presentation of ASU 2018-12, such as reclassifying claims and benefits payable on long-duration health contracts to the liability for future policy benefits.

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	January 1, 2021	
	Shareholders' equity accounts	
	Accumulated other comprehensive income	Retained earnings
Amounts prior to adoption of ASU 2018-12	\$ 2,186.1	\$ 752.3
Unwinding amounts related to unrealized gains (losses)	665.7	—
Changes in measurement of assets and liabilities	—	(112.7)
Change in market risk benefit reserve basis	9.2	(54.9)
Tax impacts of changes recognized in retained earnings	—	36.7
Change in discount rates	(3,325.0)	—
Tax impacts of changes recognized in accumulated other comprehensive income	570.3	—
Amounts, as recast	\$ 106.3	\$ 621.4

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 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 (loss) along with unrealized gains (losses) related to fixed maturity investments, available for sale, net of tax and related adjustments. The allowance is adjusted for any additional credit losses and subsequent recoveries. When recognizing an allowance associated with a credit loss, the cost basis is not adjusted. When we determine a security is uncollectable, the remaining amortized cost will be written off.

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

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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 (loss), included in shareholders' equity as of September 30, 2023 and December 31, 2022, is comprised of the following (dollars in millions):

	September 30, 2023	December 31, 2022
Net unrealized losses on investments having no allowance for credit losses	\$ (1,506.2)	\$ (1,247.0)
Unrealized losses on investments with an allowance for credit losses	(2,038.5)	(1,780.7)
Change in discount rates for liability for future policy benefits	1,021.6	500.7
Change in instrument-specific credit risk for market risk benefits	7.8	12.2
Deferred income tax assets	558.6	557.5
Accumulated other comprehensive loss	<u>\$ (1,956.7)</u>	<u>\$ (1,957.3)</u>

At September 30, 2023, 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	\$ 13,312.1	\$ 10.7	\$ (2,297.1)	\$ (66.8)	\$ 10,958.9
United States Treasury securities and obligations of United States government corporations and agencies	194.2	—	(28.8)	—	165.4
States and political subdivisions	2,848.5	7.0	(547.8)	(1.7)	2,306.0
Foreign governments	93.3	—	(16.6)	(.7)	76.0
Asset-backed securities	1,500.2	.2	(141.0)	(.2)	1,359.2
Agency residential mortgage-backed securities	627.9	.6	(12.6)	—	615.9
Non-agency residential mortgage-backed securities	1,695.8	33.7	(204.3)	—	1,525.2
Collateralized loan obligations	1,077.7	1.9	(20.1)	—	1,059.5
Commercial mortgage-backed securities	2,549.8	.6	(311.3)	—	2,239.1
Total fixed maturities, available for sale	<u>\$ 23,899.5</u>	<u>\$ 54.7</u>	<u>\$ (3,579.6)</u>	<u>\$ (69.4)</u>	<u>\$ 20,305.2</u>

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At December 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	\$ 13,649.1	\$ 29.9	\$ (1,911.9)	\$ (54.4)	\$ 11,712.7
United States Treasury securities and obligations of United States government corporations and agencies	171.7	—	(13.0)	—	158.7
States and political subdivisions	2,846.9	19.3	(476.8)	(.9)	2,388.5
Foreign governments	86.3	.1	(11.3)	(.4)	74.7
Asset-backed securities	1,435.7	1.0	(149.4)	(.3)	1,287.0
Agency residential mortgage-backed securities	174.3	1.4	(.7)	—	175.0
Non-agency residential mortgage-backed securities	1,700.4	40.0	(191.9)	—	1,548.5
Collateralized loan obligations	825.2	.3	(39.6)	—	785.9
Commercial mortgage-backed securities	2,494.6	.1	(272.3)	—	2,222.4
Total fixed maturities, available for sale	<u>\$ 23,384.2</u>	<u>\$ 92.1</u>	<u>\$ (3,066.9)</u>	<u>\$ (56.0)</u>	<u>\$ 20,353.4</u>

The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at September 30, 2023, 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	\$ 171.9	\$ 161.9
Due after one year through five years	2,217.5	2,069.5
Due after five years through ten years	1,729.0	1,551.7
Due after ten years	12,329.7	9,723.2
Subtotal	16,448.1	13,506.3
Structured securities	7,451.4	6,798.9
Total fixed maturities, available for sale	<u>\$ 23,899.5</u>	<u>\$ 20,305.2</u>

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The following table sets forth the amortized cost and estimated fair value of fixed maturities, available for sale, at December 31, 2022, by contractual maturity.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	\$ 112.0	\$ 110.8
Due after one year through five years	1,913.7	1,790.2
Due after five years through ten years	2,098.9	1,910.4
Due after ten years	12,629.4	10,523.2
Subtotal	16,754.0	14,334.6
Structured securities	6,630.2	6,018.8
Total fixed maturities, available for sale	<u>\$ 23,384.2</u>	<u>\$ 20,353.4</u>

Gross Unrealized Investment Losses

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

The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at September 30, 2023 (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	\$ 591.1	\$ (42.3)	\$ 2,938.4	\$ (631.8)	\$ 3,529.5	\$ (674.1)
United States Treasury securities and obligations of United States government corporations and agencies	131.9	(24.7)	33.5	(4.1)	165.4	(28.8)
States and political subdivisions	181.9	(12.9)	436.5	(145.7)	618.4	(158.6)
Foreign governments	6.5	(.5)	23.3	(2.8)	29.8	(3.3)
Asset-backed securities	212.8	(4.1)	1,050.6	(133.6)	1,263.4	(137.7)
Agency residential mortgage-backed securities	505.8	(12.3)	7.1	(.3)	512.9	(12.6)
Non-agency residential mortgage-backed securities	245.1	(6.6)	1,014.5	(197.7)	1,259.6	(204.3)
Collateralized loan obligations	114.4	(.4)	642.6	(19.7)	757.0	(20.1)
Commercial mortgage-backed securities	223.3	(4.3)	1,927.6	(307.0)	2,150.9	(311.3)
Total fixed maturities, available for sale	<u>\$ 2,212.8</u>	<u>\$ (108.1)</u>	<u>\$ 8,074.1</u>	<u>\$ (1,442.7)</u>	<u>\$ 10,286.9</u>	<u>\$ (1,550.8)</u>

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The following table summarizes the gross unrealized losses and fair values of our investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that such securities have been in a continuous unrealized loss position, at December 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	\$ 2,830.8	\$ (329.4)	\$ 370.4	\$ (129.3)	\$ 3,201.2	\$ (458.7)
United States Treasury securities and obligations of United States government corporations and agencies	134.4	(9.6)	21.9	(3.4)	156.3	(13.0)
States and political subdivisions	667.0	(124.8)	132.1	(58.5)	799.1	(183.3)
Foreign governments	35.0	(3.5)	2.1	(.3)	37.1	(3.8)
Asset-backed securities	914.0	(90.1)	258.1	(53.4)	1,172.1	(143.5)
Agency residential mortgage-backed securities	59.7	(.7)	—	—	59.7	(.7)
Non-agency residential mortgage-backed securities	861.6	(89.7)	335.4	(102.2)	1,197.0	(191.9)
Collateralized loan obligations	553.0	(27.4)	184.2	(12.2)	737.2	(39.6)
Commercial mortgage-backed securities	1,581.4	(160.0)	593.3	(112.3)	2,174.7	(272.3)
Total fixed maturities, available for sale	<u>\$ 7,636.9</u>	<u>\$ (835.2)</u>	<u>\$ 1,897.5</u>	<u>\$ (471.6)</u>	<u>\$ 9,534.4</u>	<u>\$ (1,306.8)</u>

Based on management's current assessment of investments with unrealized losses at September 30, 2023, the Company believes the issuers of the securities will continue to meet their obligations. While we do not have the intent to sell securities with unrealized losses and it is not more likely than not that we will be required to sell securities with unrealized losses prior to their anticipated recovery, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, if a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we had the intent to sell the security before its anticipated recovery.

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The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the three months ended September 30, 2023 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Asset-backed securities	Total
Allowance at June 30, 2023	\$ 64.4	\$ 1.0	\$.5	\$.2	\$ 66.1
Additions for securities for which credit losses were not previously recorded	1.2	—	—	.1	1.3
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	1.5	.7	.2	(.1)	2.3
Reduction for securities sold during the period	(.3)	—	—	—	(.3)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at September 30, 2023	<u>\$ 66.8</u>	<u>\$ 1.7</u>	<u>\$.7</u>	<u>\$.2</u>	<u>\$ 69.4</u>

The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the nine months ended September 30, 2023 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Asset-backed securities	Total
Allowance at December 31, 2022	\$ 54.4	\$.9	\$.4	\$.3	\$ 56.0
Additions for securities for which credit losses were not previously recorded	5.9	.2	.1	—	6.2
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	9.2	.6	.2	(.1)	9.9
Reduction for securities sold during the period	(2.7)	—	—	—	(2.7)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at September 30, 2023	<u>\$ 66.8</u>	<u>\$ 1.7</u>	<u>\$.7</u>	<u>\$.2</u>	<u>\$ 69.4</u>

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The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the three months ended September 30, 2022 (dollars in millions):

	Corporate securities	States and political subdivisions	Foreign governments	Asset-backed securities	Total
Allowance at June 30, 2022	\$ 52.2	\$ 1.1	\$.7	\$.2	\$ 54.2
Additions for securities for which credit losses were not previously recorded	7.2	.2	.1	.1	7.6
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	(6.9)	.5	—	—	(6.4)
Reduction for securities sold during the period	(3.3)	(.1)	—	—	(3.4)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at September 30, 2022	<u>\$ 49.2</u>	<u>\$ 1.7</u>	<u>\$.8</u>	<u>\$.3</u>	<u>\$ 52.0</u>

The following table summarizes changes in the allowance for credit losses related to fixed maturities, available for sale, for the nine months ended September 30, 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	39.8	.7	.5	.2	41.2
Additions for purchased securities with deteriorated credit	—	—	—	—	—
Additions (reductions) for securities where an allowance was previously recorded	11.8	1.1	.1	.1	13.1
Reduction for securities sold during the period	(9.8)	(.1)	—	—	(9.9)
Reduction for securities for which the Company made the decision to sell where an allowance was previously recorded	—	—	—	—	—
Write-offs	—	—	—	—	—
Recoveries of previously written-off amount	—	—	—	—	—
Allowance at September 30, 2022	<u>\$ 49.2</u>	<u>\$ 1.7</u>	<u>\$.8</u>	<u>\$.3</u>	<u>\$ 52.0</u>

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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.

The mortgage loan balance was comprised of commercial and residential mortgage loans. At September 30, 2023, we held commercial mortgage loan investments with an amortized cost and fair value of \$1,410.6 million and \$1,217.8 million, respectively. There were no commercial mortgage loans in process of foreclosure. At September 30, 2023, we held residential mortgage loan investments with an amortized cost and fair value of \$571.6 million and \$572.4 million, respectively. At September 30, 2023, there were five residential mortgage loans that were noncurrent with a carrying value of \$2.3 million (of which, four loans with a carrying value of \$2.0 million were in foreclosure).

The following table provides the amortized cost by year of origination and estimated fair value of our outstanding commercial mortgage loans and the underlying collateral as of September 30, 2023 (dollars in millions):

Loan-to-value ratio (a)	2023	2022	2021	2020	2019	Prior	Total amortized cost	Estimated fair value	
								Mortgage loans	Collateral
Less than 60%	\$ 163.6	\$ 147.3	\$ 115.1	\$ 36.7	\$ 73.8	\$ 482.3	\$ 1,018.8	\$ 880.8	\$ 3,789.7
60% to less than 70%	47.1	87.3	11.1	5.6	—	36.8	187.9	165.5	287.0
70% to less than 80%	19.5	77.8	24.8	—	—	40.1	162.2	138.7	214.1
80% to less than 90%	—	—	—	—	—	17.4	17.4	15.8	20.8
90% or greater	—	—	—	—	—	24.3	24.3	17.0	25.1
Total	<u>\$ 230.2</u>	<u>\$ 312.4</u>	<u>\$ 151.0</u>	<u>\$ 42.3</u>	<u>\$ 73.8</u>	<u>\$ 600.9</u>	<u>\$ 1,410.6</u>	<u>\$ 1,217.8</u>	<u>\$ 4,336.7</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 for the three months ended September 30, 2023 and 2022 (dollars in millions):

	Three months ended September 30,	
	2023	2022
Allowance at the beginning of the period	\$ 10.3	\$ 4.9
Current period provision for expected credit losses	.6	.4
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>\$ 10.9</u>	<u>\$ 5.3</u>

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The following table summarizes changes in the allowance for credit losses related to mortgage loans for the nine months ended September 30, 2023 and 2022 (dollars in millions):

	Nine months ended September 30,	
	2023	2022
Allowance at the beginning of the period	\$ 8.0	\$ 5.6
Current period provision for expected credit losses	2.9	(.3)
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>\$ 10.9</u>	<u>\$ 5.3</u>

Total Investment Gains (Losses)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Realized investment gains (losses):				
Gross realized gains on sales of fixed maturities, available for sale	\$ 1.3	\$ 18.1	\$ 11.4	\$ 96.4
Gross realized losses on sales of fixed maturities, available for sale	(9.8)	(24.4)	(45.8)	(81.3)
Equity securities, net	—	—	(.6)	(8.3)
Other, net	(13.1)	(1.9)	(23.0)	(3.2)
Total realized investment gains (losses)	<u>(21.6)</u>	<u>(8.2)</u>	<u>(58.0)</u>	<u>3.6</u>
Change in allowance for credit losses (a)	(2.3)	7.5	(13.7)	(46.9)
Change in fair value of equity securities (b)	(.9)	(.7)	(.5)	(2.4)
Other changes in fair value (c)	(4.5)	(16.3)	(7.0)	(53.5)
Other investment losses	<u>(7.7)</u>	<u>(9.5)</u>	<u>(21.2)</u>	<u>(102.8)</u>
Total investment losses	<u>\$ (29.3)</u>	<u>\$ (17.7)</u>	<u>\$ (79.2)</u>	<u>\$ (99.2)</u>

- (a) Changes in the allowance for credit losses includes \$1.6 million and \$5.7 million in the three months ended September 30, 2023 and 2022, respectively, and \$2.6 million and \$(2.8) million in the nine months ended September 30, 2023 and 2022, 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 \$(0.7) million and \$(6.9) million for the nine months ended September 30, 2023 and 2022, respectively.
- (c) Changes 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 \$(8.0) million and \$(36.6) million in the nine months ended September 30, 2023 and 2022, respectively.

During the first nine months of 2023, we recognized net investment losses of \$79.2 million, which were comprised of: (i) \$50.5 million of net losses from the sales of investments; (ii) \$1.1 million of losses related to equity securities, including the change in fair value; (iii) \$11.4 million of losses related to certain fixed maturity investments with embedded derivatives, including the change in fair value; (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of \$2.5 million; and (v) an increase in the allowance for credit losses of \$13.7 million.

During the first nine months of 2022, we recognized net investment losses of \$99.2 million, which were comprised of: (i) \$11.9 million of net gains from the sales of investments; (ii) \$10.7 million of losses related to equity securities, including the

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change in fair value; (iii) the decrease in fair value of certain fixed maturity investments with embedded derivatives of \$37.4 million; (iv) the decrease in fair value of embedded derivatives related to a modified coinsurance agreement of \$16.1 million; and (v) an increase in the allowance for credit losses of \$46.9 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 September 30, 2023, there were no fixed maturity investments in default.

During the first nine months of 2023, the \$45.8 million of gross realized losses on sales of \$527.0 million of fixed maturity securities, available for sale, included: (i) \$37.8 million related to various corporate securities; (ii) \$6.0 million related to commercial mortgage-backed securities; and (iii) \$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 nine months of 2022, the \$81.3 million of gross realized losses on sales of \$1,321.7 million of fixed maturity securities, available for sale, included: (i) \$54.3 million related to various corporate securities; (ii) \$14.0 million related to non-agency residential mortgage-backed securities; (iii) \$7.3 million related to states and political subdivisions; and (iv) \$5.7 million related to various other investments.

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

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LIABILITIES FOR INSURANCE PRODUCTS

The liability for future policy benefits is determined based on numerous assumptions. The most significant assumptions for our life and annuity business are mortality and lapse/withdrawal rates which are based on our experience and, in cases of limited experience, industry experience. Mortality and lapse/withdrawal rates also take into consideration future expectations in policyholder behavior that may vary from past experience. For our health business, mortality rates, lapse rates, morbidity assumptions and future rate increases are based on our experience and, in cases of limited experience, industry experience. Such assumptions also consider future expectations in policyholder behavior that may vary from past experience.

In the first nine months of 2023, we reviewed the actual mortality, lapse, and morbidity experience and determined that no changes to assumptions for future cash flows were necessary. This is consistent with the impact in the "Effect of actual variances from expected experience" line items in the tables below, which indicate our actual experience did not deviate significantly from our expectations.

The following tables summarize balances and changes in the liability for future policy benefits for traditional and limited-payment contracts for the nine months ended September 30, 2023 (dollars in millions):

	Nine months ended September 30, 2023				
	Supplemental health	Medicare supplement	Long-term care	Traditional life	Other annuities
Present value of expected net premiums ("PVENP"), beginning of period	\$ 2,781.3	\$ 2,800.6	\$ 1,034.1	\$ 2,175.0	\$ —
Effect of changes in discount rate assumptions, beginning of period	188.4	196.4	23.2	137.1	—
Beginning PVENP at original discount rate	2,969.7	2,997.0	1,057.3	2,312.1	—
Effect of changes in cash flow assumptions	—	—	—	—	—
Effect of actual variances from expected experience	(40.9)	(4.2)	20.7	(47.0)	—
Adjusted beginning of period PVENP	2,928.8	2,992.8	1,078.0	2,265.1	—
Issuances	205.1	238.9	56.3	300.7	4.7
Interest accrual	96.7	91.3	37.1	70.0	—
Net premiums collected	(267.0)	(324.5)	(120.6)	(301.5)	(4.7)
Ending PVENP at original discount rate	2,963.6	2,998.5	1,050.8	2,334.3	—
Effect of changes in discount rate assumptions, end of period	(295.1)	(274.1)	(53.4)	(188.6)	—
PVENP, end of period	<u>\$ 2,668.5</u>	<u>\$ 2,724.4</u>	<u>\$ 997.4</u>	<u>\$ 2,145.7</u>	<u>\$ —</u>
Present value of expected future policy benefits ("PVEFPB"), beginning of period	\$ 5,886.8	\$ 3,033.1	\$ 4,158.1	\$ 4,417.9	\$ 310.9
Effect of changes in discount rate assumptions, beginning of period	483.3	212.0	28.5	336.6	15.4
Beginning PVEFPB at original discount rate	6,370.1	3,245.1	4,186.6	4,754.5	326.3
Effect of changes in cash flow assumptions	—	—	—	—	—
Effect of actual variances from expected experience	(46.9)	7.4	30.3	(59.1)	1.8
Adjusted beginning of period PVEFPB	6,323.2	3,252.5	4,216.9	4,695.4	328.1
Issuances	205.3	238.9	56.5	307.8	4.7
Interest accrual	222.6	99.3	167.3	154.3	11.1
Benefit payments	(314.2)	(362.1)	(214.0)	(325.8)	(25.8)
Ending PVEFPB at original discount rate	6,436.9	3,228.6	4,226.7	4,831.7	318.1
Effect of changes in discount rate assumptions, end of period	(801.6)	(295.5)	(252.1)	(510.9)	(30.9)
PVEFPB, end of period	<u>\$ 5,635.3</u>	<u>\$ 2,933.1</u>	<u>\$ 3,974.6</u>	<u>\$ 4,320.8</u>	<u>\$ 287.2</u>
Net liability for future policy benefits	\$ 2,966.8	\$ 208.7	\$ 2,977.2	\$ 2,175.1	\$ 287.2
Flooring impact	—	.2	—	—	—
Adjusted net liability for future policy benefits	2,966.8	208.9	2,977.2	2,175.1	287.2
Related reinsurance recoverable	(1.3)	—	(330.4)	(182.2)	—
Net liability for future policy benefits, net of reinsurance recoverable	<u>\$ 2,965.5</u>	<u>\$ 208.9</u>	<u>\$ 2,646.8</u>	<u>\$ 1,992.9</u>	<u>\$ 287.2</u>

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The following tables summarize balances and changes in the liability for future policy benefits for traditional and limited-payment contracts for the nine months ended September 30, 2022 (dollars in millions):

	Nine months ended September 30, 2022				
	Supplemental health	Medicare supplement	Long-term care	Traditional life	Other annuities
PVENP, beginning of period	\$ 3,496.8	\$ 3,454.0	\$ 1,313.4	\$ 2,483.7	\$ —
Effect of changes in discount rate assumptions, beginning of period	(525.6)	(341.8)	(183.2)	(239.4)	—
Beginning PVENP at original discount rate	2,971.2	3,112.2	1,130.2	2,244.3	—
Effect of changes in cash flow assumptions	—	—	—	—	—
Effect of actual variances from expected experience	(24.0)	(32.7)	(14.5)	(43.6)	—
Adjusted beginning of period PVENP	2,947.2	3,079.5	1,115.7	2,200.7	—
Issuances	234.2	204.7	70.9	397.6	5.6
Interest accrual	92.4	88.3	38.4	61.6	—
Net premiums collected	(265.0)	(346.3)	(127.1)	(300.7)	(5.6)
Ending PVENP at original discount rate	3,008.8	3,026.2	1,097.9	2,359.2	—
Effect of changes in discount rate assumptions, end of period	(273.5)	(260.3)	(43.8)	(205.1)	—
PVENP, end of period	\$ 2,735.3	\$ 2,765.9	\$ 1,054.1	\$ 2,154.1	\$ —
PVEFPB, beginning of period	\$ 7,688.0	\$ 3,750.5	\$ 5,501.6	\$ 5,395.7	\$ 431.9
Effect of changes in discount rate assumptions, beginning of period	(1,414.8)	(373.8)	(1,291.2)	(767.3)	(88.4)
Beginning PVEFPB at original discount rate	6,273.2	3,376.7	4,210.4	4,628.4	343.5
Effect of changes in cash flow assumptions	—	—	—	—	—
Effect of actual variances from expected experience	(25.9)	(35.1)	(23.7)	(48.8)	(4.1)
Adjusted beginning of period PVEFPB	6,247.3	3,341.6	4,186.7	4,579.6	339.4
Issuances	234.7	204.0	70.9	407.6	6.4
Interest accrual	216.3	96.7	167.6	144.4	11.4
Benefit payments	(312.4)	(362.9)	(198.1)	(363.2)	(27.4)
Ending PVEFPB at original discount rate	6,385.9	3,279.4	4,227.1	4,768.4	329.8
Effect of changes in discount rate assumptions, end of period	(699.7)	(280.6)	(157.7)	(496.7)	(25.3)
PVEFPB, end of period	\$ 5,686.2	\$ 2,998.8	\$ 4,069.4	\$ 4,271.7	\$ 304.5
Net liability for future policy benefits	\$ 2,950.9	\$ 232.9	\$ 3,015.3	\$ 2,117.6	\$ 304.5
Flooring impact	37.6	.3	16.3	9.3	—
Adjusted net liability for future policy benefits	2,988.5	233.2	3,031.6	2,126.9	304.5
Related reinsurance recoverable	(3.0)	—	(318.0)	(196.1)	—
Net liability for future policy benefits, net of reinsurance recoverable	\$ 2,985.5	\$ 233.2	\$ 2,713.6	\$ 1,930.8	\$ 304.5

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The following table reconciles the net liability for future policy benefits to the amount presented in the consolidated balance sheet (dollars in millions):

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Balances included in the future policy benefits rollforwards:		
Supplemental health	\$ 2,966.8	\$ 2,988.5
Medicare supplement	208.9	233.2
Long-term care	2,977.2	3,031.6
Traditional life	2,175.1	2,126.9
Other annuities	287.2	304.5
Reserves excluded from rollforward (1)	2,574.0	2,616.1
Deferred profit liability	60.8	50.4
Amount of reserves above (below) policyholder account balances (2)	(454.7)	(569.8)
Future loss reserves (3)	34.6	34.1
Future policy benefits	<u>\$ 10,829.9</u>	<u>\$ 10,815.5</u>

(1) Primarily comprised of blocks of business that are 100% ceded.

(2) Such amount represents the difference between: (i) the total insurance liabilities for our fixed indexed annuities (including the host contract and the related embedded derivative); and (ii) the policyholder account balances for these products. The accounting requirement to bifurcate the embedded derivative and value it at the current estimated fair value results in this amount.

(3) In certain instances, the total insurance liabilities for a particular line of business may not be deficient in the aggregate to trigger loss recognition, but the pattern of earnings may be such that profits are expected to be recognized in earlier years followed by losses in later years. In these situations, accounting standards require that an additional liability (the "future loss reserve") be recognized by an amount necessary to sufficiently offset the losses that would be recognized in later years.

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Many of our fixed indexed annuity products include a GLWB that is considered a MRB. The calculation of MRBs includes market assumptions (interest rate, equity returns, volatility and dividend yields) and nonmarket assumptions (mortality rates, surrender and withdrawal rates, GLWB utilization and spreads). Market assumptions are updated quarterly to reflect current market conditions. During the first nine months of 2023, we reviewed the nonmarket assumptions used to calculate MRBs and determined that such assumptions were appropriate.

The following table presents the balance of and changes in MRBs associated with our fixed indexed annuities (dollars in millions):

	Nine months ended September 30,	
	2023	2022
Net liability (asset), beginning of period	\$ (54.0)	\$ 86.2
Effect of changes in the instrument-specific credit risk, beginning of period	12.2	12.1
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	(41.8)	98.3
Issuances	(.4)	(1.5)
Interest accrual	15.8	11.6
Attributed fees collected	—	—
Benefit payments	—	—
Effect of changes in interest rates	(36.2)	(140.3)
Effect of changes in equity markets	4.1	(7.9)
Effect of changes in equity index volatility	(17.5)	20.6
Actual policyholder behavior different from expected behavior	2.5	.1
Effect of changes in future expected policyholder behavior - other	—	—
Effect of changes in future expected policyholder behavior - risk margin	—	—
Effect of changes in assumptions	(4.9)	(.4)
Net liability (asset), end of period, before effect of changes in the instrument-specific credit risk	(78.4)	(19.5)
Effect of changes in the instrument-specific credit risk, end of period	(7.8)	(23.1)
Net asset, end of period	(86.2)	(42.6)
Reinsurance recoverable, end of period	—	—
Net asset, end of period, net of reinsurance	\$ (86.2)	\$ (42.6)
Balance reported as an asset	\$ 89.3	\$ 56.3
Balance reported as a liability	3.1	13.7
Net asset	\$ (86.2)	\$ (42.6)
Net amount at risk	\$ 51.0	\$ 51.7
Weighted average attained age of contract holders	69	68

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The following table summarizes the amount of revenue and interest related to traditional and limited-payment contracts recognized in the consolidated statement of operations (dollars in millions):

	Gross premiums (a)		Interest accretion (b)	
	Nine months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Other annuities	\$ 5.7	\$ 6.8	\$ 11.1	\$ 11.4
Supplemental health	530.3	519.8	125.9	123.9
Medicare supplement	453.4	487.7	8.0	8.4
Long-term care	243.1	245.6	130.2	129.2
Traditional life	534.6	518.9	84.3	82.8
Total	\$ 1,767.1	\$ 1,778.8	\$ 359.5	\$ 355.7

(a) Such amounts are included in insurance policy income in the consolidated statement of operations.

(b) Such amounts are included in insurance policy benefits in the consolidated statement of operations.

The following table provides the amount of undiscounted and discounted expected gross premiums and expected future benefits and expenses for traditional and limited-payment contracts (dollars in millions):

	September 30, 2023		September 30, 2022	
	Undiscounted	Discounted (a)	Undiscounted	Discounted (a)
Other annuities				
Expected future gross premiums	\$ —	\$ —	\$ —	\$ —
Expected future benefits and expenses	385.9	287.2	409.3	304.5
Supplemental health				
Expected future gross premiums	9,031.2	5,287.4	8,866.2	5,310.3
Expected future benefits and expenses	10,163.1	5,635.3	10,948.7	5,686.2
Medicare supplement				
Expected future gross premiums	5,589.1	3,756.3	5,521.0	3,857.2
Expected future benefits and expenses	4,387.4	2,933.1	4,318.6	2,998.8
Long-term care				
Expected future gross premiums	2,967.0	2,054.0	2,974.1	2,097.9
Expected future benefits and expenses	7,483.6	3,974.6	7,546.5	4,069.4
Traditional life				
Expected future gross premiums	5,542.6	3,840.1	5,448.2	3,835.7
Expected future benefits and expenses	7,478.6	4,320.8	7,250.8	4,271.7

(a) Calculated at the discount rates at period end.

Loss expense as a result of net premium ratio capping was not material in both the nine months ended September 30, 2023 and 2022.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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The following table provides the weighted average durations (under locked-in rates) of the liability for future policy benefits in years:

	September 30, 2023	September 30, 2022
Other annuities	9.7	9.7
Supplemental health	11.7	12.0
Medicare supplement	6.0	6.1
Long-term care	10.3	10.7
Traditional life	10.4	10.8

The following table provides the weighted average interest rates for the liability for future policy benefits:

	September 30, 2023	September 30, 2022
Other annuities		
Interest accretion rate	4.79 %	4.71 %
Current discount rate	6.10 %	5.76 %
Supplemental health		
Interest accretion rate	5.02 %	5.06 %
Current discount rate	6.09 %	5.72 %
Medicare supplement		
Interest accretion rate	4.28 %	4.21 %
Current discount rate	5.88 %	5.50 %
Long-term care		
Interest accretion rate	5.66 %	5.69 %
Current discount rate	6.13 %	5.83 %
Traditional life		
Interest accretion rate	4.77 %	4.76 %
Current discount rate	6.11 %	5.77 %

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
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The following tables present the balances of and changes in the liability for policyholder account balances (dollars in millions):

Nine months ended September 30, 2023						
	Fixed indexed annuities	Fixed interest annuities	Other annuities	Interest- sensitive life	Funding agreements	Other (a)
Balance, beginning of period excluding contracts 100% ceded	\$ 9,490.4	\$ 1,663.1	\$ 127.1	\$ 1,209.6	\$ 1,410.8	\$ 395.5
Issuances (funds collected from new business)	996.6	139.5	—	30.0	—	—
Premiums received (premiums collected from inforce business)	.3	2.1	21.5	152.4	—	201.0
Policy charges	(14.4)	(.7)	—	(140.4)	—	—
Surrenders and withdrawals	(538.4)	(124.7)	(30.3)	(24.3)	(24.2)	(216.6)
Benefit payments	(185.0)	(80.8)	(4.6)	(19.6)	—	(.1)
Interest credited	52.7	34.2	1.8	30.5	21.6	2.0
Other	17.0	(.2)	(.3)	(.4)	—	—
Balance, end of period excluding contracts 100% ceded	9,819.2	1,632.5	115.2	1,237.8	1,408.2	381.8
Balance, end of period for contracts 100% ceded	141.4	602.2	26.2	107.0	—	10.3
Balance, end of period	<u>\$ 9,960.6</u>	<u>\$ 2,234.7</u>	<u>\$ 141.4</u>	<u>\$ 1,344.8</u>	<u>\$ 1,408.2</u>	<u>\$ 392.1</u>
Balance, end of period, reinsurance ceded	(141.4)	(602.2)	(26.2)	(125.2)	—	(24.3)
Balance, end of period, net of reinsurance	<u>\$ 9,819.2</u>	<u>\$ 1,632.5</u>	<u>\$ 115.2</u>	<u>\$ 1,219.6</u>	<u>\$ 1,408.2</u>	<u>\$ 367.8</u>
Weighted average crediting rate	1.7 %	2.8 %	2.4 %	4.0 %	2.0 %	0.8 %
Net amount at risk (b)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27,851.0</u>	<u>\$ —</u>	<u>\$ —</u>
Cash surrender value, net of reinsurance	<u>\$ 9,152.8</u>	<u>\$ 1,609.4</u>	<u>\$ 115.2</u>	<u>\$ 997.8</u>	<u>\$ —</u>	<u>\$ 367.8</u>

(a) Predominantly consists of retained asset accounts associated with our traditional life and supplemental health blocks.

(b) Represents the amount of insurance policy benefit expense that we would incur if death claims were filed on all annuity and interest-sensitive life contracts at the balance sheet date.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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	Nine months ended September 30, 2022					
	Fixed indexed annuities	Fixed interest annuities	Other annuities	Interest- sensitive life	Funding agreements	Other (a)
Balance, beginning of period excluding contracts 100% ceded	\$ 8,681.0	\$ 1,806.1	\$ 131.2	\$ 1,163.9	\$ 502.0	\$ 368.0
Issuances (funds collected from new business)	1,111.9	52.2	—	31.4	899.0	—
Premiums received (premiums collected from inforce business)	.2	2.9	25.9	143.5	—	196.2
Policy charges	(10.4)	(.6)	—	(135.4)	—	—
Surrenders and withdrawals	(388.6)	(113.0)	(26.0)	(20.3)	(14.3)	(175.4)
Benefit payments	(192.5)	(102.9)	(4.3)	(19.1)	—	—
Interest credited	102.8	34.3	1.8	34.9	21.3	1.9
Other	15.5	.3	—	—	—	—
Balance, end of period excluding contracts 100% ceded	9,319.9	1,679.3	128.6	1,198.9	1,408.0	390.7
Balance, end of period for contracts 100% ceded	158.7	644.4	26.5	114.0	—	10.7
Balance, end of period	\$ 9,478.6	\$ 2,323.7	\$ 155.1	\$ 1,312.9	\$ 1,408.0	\$ 401.4
Balance, end of period, reinsurance ceded	(158.7)	(644.4)	(26.5)	(134.9)	—	(25.2)
Balance, end of period, net of reinsurance	\$ 9,319.9	\$ 1,679.3	\$ 128.6	\$ 1,178.0	\$ 1,408.0	\$ 376.2
Weighted average crediting rate	1.4 %	2.6 %	2.2 %	4.3 %	2.0 %	0.8 %
Net amount at risk (b)	\$ —	\$ —	\$ —	\$ 26,029.5	\$ —	\$ —
Cash surrender value, net of reinsurance	\$ 8,684.3	\$ 1,669.3	\$ 128.6	\$ 954.7	\$ —	\$ 376.2

(a) Predominantly consists of retained asset accounts associated with our traditional life and supplemental health blocks.

(b) Represents the amount of insurance policy benefit expense that we would incur if death claims were filed on all annuity and interest-sensitive life contracts at the balance sheet date.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements
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The following table reconciles the liability for policyholder account balances to the amount presented in the consolidated balance sheet (dollars in millions):

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Amounts included in the liability for policyholder account balances rollforwards:		
Fixed indexed annuities	\$ 9,960.6	\$ 9,478.6
Fixed interest annuities	2,234.7	2,323.7
Other annuities	141.4	155.1
Interest-sensitive life	1,344.8	1,312.9
Funding agreements	1,408.2	1,408.0
Other	392.1	401.4
Total	<u>\$ 15,481.8</u>	<u>\$ 15,079.7</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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The following tables present the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums (dollars in millions):

Range of guaranteed minimum crediting rates (a)	September 30, 2023				
	At guaranteed minimum	1-50 basis points above	51-150 basis points above	Greater than 150 basis points above	Total
Fixed interest annuities					
0.00%-2.99%	\$ 122.3	\$ 257.4	\$ 183.4	\$ 79.1	\$ 642.2
3.00%-4.99%	1,475.8	27.1	—	—	1,502.9
5.00% and greater	89.6	—	—	—	89.6
Subtotal	1,687.7	284.5	183.4	79.1	2,234.7
Other annuities					
0.00%-2.99%	36.4	25.3	—	—	61.7
3.00%-4.99%	46.4	—	—	—	46.4
5.00% and greater	33.3	—	—	—	33.3
Subtotal	116.1	25.3	—	—	141.4
Interest-sensitive life					
0.00%-2.99%	22.0	37.2	298.5	305.1	662.8
3.00%-4.99%	451.2	50.5	157.5	.5	659.7
5.00% and greater	21.8	.5	—	—	22.3
Subtotal	495.0	88.2	456.0	305.6	1,344.8
Funding agreements					
0.00%-2.99%	1,408.2	—	—	—	1,408.2
3.00%-4.99%	—	—	—	—	—
5.00% and greater	—	—	—	—	—
Subtotal	1,408.2	—	—	—	1,408.2
Other					
0.00%-2.99%	17.5	351.2	—	—	368.7
3.00%-4.99%	23.2	—	—	—	23.2
5.00% and greater	.2	—	—	—	.2
Subtotal	40.9	351.2	—	—	392.1
Total					
0.00%-2.99%	1,606.4	671.1	481.9	384.2	3,143.6
3.00%-4.99%	1,996.6	77.6	157.5	.5	2,232.2
5.00% and greater	144.9	.5	—	—	145.4
Total policyholder account balances, excluding fixed indexed annuities	\$ 3,747.9	\$ 749.2	\$ 639.4	\$ 384.7	5,521.2
Fixed indexed annuity account balances					9,960.6
Total policyholder account balances					\$ 15,481.8

(a) Excludes the account balances related to our fixed indexed annuity contracts which do not have a minimum crediting rate since returns are based on an index.

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Range of guaranteed minimum crediting rates (a)	September 30, 2022				
	At guaranteed minimum	1-50 basis points above	51-150 basis points above	Greater than 150 basis points above	Total
Fixed interest annuities					
0.00%-2.99%	\$ 163.8	\$ 319.6	\$ 29.9	\$ 44.1	\$ 557.4
3.00%-4.99%	1,651.7	22.4	.1	—	1,674.2
5.00% and greater	92.1	—	—	—	92.1
Subtotal	1,907.6	342.0	30.0	44.1	2,323.7
Other annuities					
0.00%-2.99%	49.2	30.2	—	—	79.4
3.00%-4.99%	39.8	—	—	—	39.8
5.00% and greater	35.9	—	—	—	35.9
Subtotal	124.9	30.2	—	—	155.1
Interest-sensitive life					
0.00%-2.99%	8.1	—	.6	619.2	627.9
3.00%-4.99%	404.1	103.0	154.8	.2	662.1
5.00% and greater	22.4	.5	—	—	22.9
Subtotal	434.6	103.5	155.4	619.4	1,312.9
Funding agreements					
0.00%-2.99%	1,408.0	—	—	—	1,408.0
3.00%-4.99%	—	—	—	—	—
5.00% and greater	—	—	—	—	—
Subtotal	1,408.0	—	—	—	1,408.0
Other					
0.00%-2.99%	18.2	358.7	—	—	376.9
3.00%-4.99%	24.1	—	—	—	24.1
5.00% and greater	.4	—	—	—	.4
Subtotal	42.7	358.7	—	—	401.4
Total					
0.00%-2.99%	1,647.3	708.5	30.5	663.3	3,049.6
3.00%-4.99%	2,119.7	125.4	154.9	.2	2,400.2
5.00% and greater	150.8	.5	—	—	151.3
Total policyholder account balances, excluding fixed indexed annuities	\$ 3,917.8	\$ 834.4	\$ 185.4	\$ 663.5	5,601.1
Fixed indexed annuity account balances					9,478.6
Total policyholder account balances					\$ 15,079.7

(a) Excludes the account balances related to our fixed indexed annuity contracts which do not have a minimum crediting rate since returns are based on an index.

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DEFERRED ACQUISITION COSTS, PRESENT VALUE OF FUTURE PROFITS AND SALES INDUCEMENTS

Changes in deferred acquisition costs were as follows (dollars in millions):

Nine months ended
September 30, 2023

	Fixed indexed annuities	Fixed interest annuities	Supplemental health	Medicare supplement	Long-term care	Interest-sensitive life	Traditional life	Funding agreements	Total
Beginning of period	\$ 365.6	\$ 19.6	\$ 378.8	\$ 161.2	\$ 137.9	\$ 212.2	\$ 409.1	\$ 6.0	\$ 1,690.4
Capitalizations	65.5	8.0	43.8	17.7	11.3	27.5	86.9	—	260.7
Amortization expense	(34.1)	(2.8)	(23.2)	(21.0)	(11.5)	(10.7)	(37.9)	(1.2)	(142.4)
End of period	<u>\$ 397.0</u>	<u>\$ 24.8</u>	<u>\$ 399.4</u>	<u>\$ 157.9</u>	<u>\$ 137.7</u>	<u>\$ 229.0</u>	<u>\$ 458.1</u>	<u>\$ 4.8</u>	<u>\$ 1,808.7</u>

Nine months ended
September 30, 2022

	Fixed indexed annuities	Fixed interest annuities	Supplemental health	Medicare supplement	Long-term care	Interest-sensitive life	Traditional life	Funding agreements	Total
Beginning of period	\$ 313.0	\$ 19.0	\$ 357.5	\$ 170.2	\$ 136.4	\$ 196.3	\$ 357.6	\$ 3.3	\$ 1,553.3
Capitalizations	68.6	2.6	37.0	15.7	12.7	22.1	69.8	4.2	232.7
Amortization expense	(29.7)	(2.6)	(21.7)	(22.4)	(11.5)	(10.4)	(31.6)	(1.1)	(131.0)
End of period	<u>\$ 351.9</u>	<u>\$ 19.0</u>	<u>\$ 372.8</u>	<u>\$ 163.5</u>	<u>\$ 137.6</u>	<u>\$ 208.0</u>	<u>\$ 395.8</u>	<u>\$ 6.4</u>	<u>\$ 1,655.0</u>

Changes in the present value of future profits were as follows (dollars in millions):

Nine months ended
September 30, 2023

	Supplemental health	Medicare supplement	Long-term care	Traditional life	Fixed indexed annuities	Fixed interest annuities	Total
Beginning of period	\$ 154.0	\$ 27.5	\$ 6.2	\$ 14.8	\$.8	\$.4	\$ 203.7
Amortization expense	(9.8)	(5.3)	(.8)	(1.4)	(.1)	(.1)	(17.5)
End of period	<u>\$ 144.2</u>	<u>\$ 22.2</u>	<u>\$ 5.4</u>	<u>\$ 13.4</u>	<u>\$.7</u>	<u>\$.3</u>	<u>\$ 186.2</u>

Nine months ended
September 30, 2022

	Supplemental health	Medicare supplement	Long-term care	Traditional life	Fixed indexed annuities	Fixed interest annuities	Total
Beginning of period	\$ 168.1	\$ 36.5	\$ 7.3	\$ 16.9	\$.9	\$.4	\$ 230.1
Amortization expense	(10.6)	(6.9)	(.9)	(1.6)	(.1)	—	(20.1)
End of period	<u>\$ 157.5</u>	<u>\$ 29.6</u>	<u>\$ 6.4</u>	<u>\$ 15.3</u>	<u>\$.8</u>	<u>\$.4</u>	<u>\$ 210.0</u>

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Changes in sales inducements were as follows (dollars in millions):

	Nine months ended September 30, 2023		
	Fixed indexed annuities	Fixed interest annuities	Total
Beginning of period	\$ 76.0	\$ 4.5	\$ 80.5
Capitalizations	16.3	.6	16.9
Amortization expense	(8.0)	(.6)	(8.6)
End of period	<u>\$ 84.3</u>	<u>\$ 4.5</u>	<u>\$ 88.8</u>

	Nine months ended September 30, 2022		
	Fixed indexed annuities	Fixed interest annuities	Total
Beginning of period	\$ 63.0	\$ 5.0	\$ 68.0
Capitalizations	15.5	.3	15.8
Amortization expense	(6.7)	(.7)	(7.4)
End of period	<u>\$ 71.8</u>	<u>\$ 4.6</u>	<u>\$ 76.4</u>

EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income for basic and diluted earnings per share	<u>\$ 167.3</u>	<u>\$ 175.9</u>	<u>\$ 240.2</u>	<u>\$ 592.6</u>
Shares:				
Weighted average shares outstanding for basic earnings per share	112,689	114,354	113,836	116,170
Effect of dilutive securities on weighted average shares:				
Amounts related to employee benefit plans	1,773	1,574	1,777	1,902
Weighted average shares outstanding for diluted earnings per share	<u>114,462</u>	<u>115,928</u>	<u>115,613</u>	<u>118,072</u>

Basic earnings per common share is computed by dividing net income (loss) 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).

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BUSINESS SEGMENTS

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 net insurance liabilities for the block in each period. Net insurance liabilities for the purpose of allocating investment income to product lines are equal to: (i) policyholder account balances for annuity products; (ii) total reserves before the fair value adjustments reflected in accumulated other comprehensive income (loss), if applicable, for all other products; less (iii) amounts related to reinsurance business; (iv) deferred acquisition costs; (v) the present value of future profits; and (vi) the value of unexpired options credited to insurance liabilities.

Income from insurance products is the sum of the insurance product 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 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 wholly-owned subsidiary, Optavise, LLC ("Optavise"), a national provider of year-round technology-driven employee benefits management services.

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, investment borrowings and financing agreements; (iv) expenses related to the FABN program; and (v) certain expenses related to benefit plans that are offset by special-purpose investment income; plus (vi) the impact of annual option forfeitures related to fixed indexed annuity surrenders. Investment income not allocated to product lines includes investment income on investments in excess of amounts allocated to product lines, 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 and financing agreements. The spread earned from our FHLB investment borrowing and FABN programs includes the investment income on the matched assets less: (i) interest on

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investment borrowings related to the FHLB investment borrowing program; (ii) interest credited on funding agreements; and (iii) amortization of deferred acquisition costs related to the FABN program.

Our fee income segment includes the earnings generated from sales of third-party insurance products, services provided by Optavise 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), changes in fair value of embedded derivative liabilities and MRBs, 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), changes in fair value of embedded derivative liabilities and MRBs, 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 changes in fair value of embedded derivative liabilities and MRBs may affect future earnings levels since our underlying business is long-term in nature and changes in our investment portfolio may impact our ability to earn the assumed interest rates needed to maintain the profitability of our business.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues:				
Annuity:				
Insurance policy income	\$ 7.2	\$ 6.3	\$ 20.4	\$ 17.1
Net investment income	131.0	121.1	384.1	356.4
Total annuity revenues	138.2	127.4	404.5	373.5
Health:				
Insurance policy income	397.8	403.5	1,196.3	1,213.7
Net investment income	74.2	73.3	222.5	219.6
Total health revenues	472.0	476.8	1,418.8	1,433.3
Life:				
Insurance policy income	221.0	213.4	663.1	643.0
Net investment income	36.3	35.4	108.7	106.1
Total life revenues	257.3	248.8	771.8	749.1
Change in market values of the underlying options supporting the fixed indexed annuity and life products (offset by market value changes credited to policyholder balances)	(54.6)	(34.9)	26.3	(199.2)
Investment income not allocated to product lines	86.2	59.6	234.3	187.4
Fee revenue and other income:				
Fee income	27.9	30.6	108.6	102.0
Amounts netted in expenses not allocated to product lines	32.1	1.8	35.2	28.9
Total segment revenues	\$ 959.1	\$ 910.1	\$ 2,999.5	\$ 2,675.0

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	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Expenses:				
Annuity:				
Insurance policy benefits	\$ 9.8	\$ 6.5	\$ 29.1	\$ 22.8
Interest credited	53.4	44.8	152.1	128.7
Amortization and non-deferred commissions	18.0	16.0	51.9	45.9
Total annuity expenses	81.2	67.3	233.1	197.4
Health:				
Insurance policy benefits	308.5	310.8	949.3	943.8
Amortization and non-deferred commissions	40.3	42.7	121.6	125.5
Total health expenses	348.8	353.5	1,070.9	1,069.3
Life:				
Insurance policy benefits	140.7	138.7	430.7	419.5
Interest credited	12.1	12.6	36.4	36.3
Amortization, non-deferred commissions and advertising expense	44.7	41.8	139.6	131.4
Total life expenses	197.5	193.1	606.7	587.2
Allocated expenses	153.2	150.5	460.2	447.5
Expenses not allocated to product lines	24.6	17.9	67.1	56.9
Market value changes of options credited to fixed indexed annuity and life policyholders	(54.6)	(34.9)	26.3	(199.2)
Amounts netted in investment income not allocated to product lines:				
Interest expense	45.1	25.9	122.3	64.3
Interest credited	7.2	7.2	21.6	21.3
Impact of annual option forfeitures related to fixed indexed annuity surrenders	(2.5)	1.1	(3.9)	—
Amortization	.4	.3	1.2	1.1
Other expenses	(2.4)	(2.0)	11.2	(18.0)
Expenses netted in fee revenue:				
Commissions and other operating expenses	30.8	29.2	95.4	87.5
Total segment expenses	829.3	809.1	2,712.1	2,315.3
Pre-tax measure of profitability:				
Annuity margin	57.0	60.1	171.4	176.1
Health margin	123.2	123.3	347.9	364.0
Life margin	59.8	55.7	165.1	161.9
Total insurance product margin	240.0	239.1	684.4	702.0
Allocated expenses	(153.2)	(150.5)	(460.2)	(447.5)
Income from insurance products	86.8	88.6	224.2	254.5
Fee income	(2.9)	1.4	13.2	14.5
Investment income not allocated to product lines	38.4	27.1	81.9	118.7
Expenses not allocated to product lines	7.5	(16.1)	(31.9)	(28.0)
Operating earnings before taxes	129.8	101.0	287.4	359.7
Income tax expense on operating income	28.5	23.1	65.2	82.2
Net operating income	\$ 101.3	\$ 77.9	\$ 222.2	\$ 277.5

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Total segment revenues	\$ 959.1	\$ 910.1	\$ 2,999.5	\$ 2,675.0
Total investment losses	(29.3)	(17.7)	(79.2)	(99.2)
Revenues related to earnings attributable to VIEs	17.7	12.9	56.0	27.4
Consolidated revenues	947.5	905.3	2,976.3	2,603.2
Total segment expenses	829.3	809.1	2,712.1	2,315.3
Insurance policy benefits - changes in fair value of embedded derivative liabilities and market risk benefits	(109.4)	(130.6)	(94.7)	(456.6)
Expenses attributable to VIEs	17.8	11.9	54.0	26.2
Fair value changes related to agent deferred compensation plan	(6.8)	(12.0)	(6.8)	(48.7)
Other expenses	1.0	(1.0)	1.0	(1.0)
Consolidated expenses	731.9	677.4	2,665.6	1,835.2
Income before tax	215.6	227.9	310.7	768.0
Income tax expense on period income	48.3	52.0	70.5	175.4
Net income	167.3	175.9	240.2	592.6

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
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ACCOUNTING FOR DERIVATIVES

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

	Fair value	
	September 30, 2023	December 31, 2022
Assets:		
Other invested assets:		
Fixed indexed call options	\$ 150.0	\$ 56.7
Reinsurance receivables	(20.3)	(17.8)
Total assets	<u>\$ 129.7</u>	<u>\$ 38.9</u>
Liabilities:		
Embedded derivatives related to fixed indexed annuities at fair value:		
Policyholder account balances	\$ 1,676.1	\$ 1,788.4
Future policy benefits	(462.7)	(491.4)
Total liabilities	<u>\$ 1,213.4</u>	<u>\$ 1,297.0</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 \$85 million in underlying investments held by the ceding reinsurer at September 30, 2023.

Our fixed indexed 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 and \$2.8 billion at September 30, 2023 and December 31, 2022, respectively.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net investment income (loss) from policyholder and other special-purpose portfolios:				
Fixed indexed call options	\$ (55.0)	\$ (34.7)	\$ 24.9	\$ (165.7)
Total investment gains (losses):				
Embedded derivative related to modified coinsurance agreement	(2.2)	(4.4)	(2.5)	(50.8)
Total revenues from derivative instruments, not designated as hedges	(57.2)	(39.1)	22.4	(216.5)
Insurance policy benefits:				
Embedded derivatives related to fixed indexed annuities	(125.8)	(129.1)	(37.7)	(525.5)
Net pre-tax impact	\$ 68.6	\$ 90.0	\$ 60.1	\$ 309.0

Derivative Counterparty Risk

If the counterparties to the call options fail to meet their obligations, we may recognize a loss. We limit our exposure to such a loss by diversifying among several counterparties believed to be strong and creditworthy. At September 30, 2023, all of our counterparties were rated "A" or higher by S&P Global Ratings ("S&P").

The Company and its subsidiaries are parties to master netting arrangements with its counterparties related to entering into various derivative contracts.

The following table summarizes information related to derivatives with master netting arrangements or collateral as of September 30, 2023 and December 31, 2022 (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
				Non-cash collateral	Cash collateral received	
September 30, 2023:						
Fixed indexed call options	\$ 150.0	\$ —	\$ 150.0	\$ 28.5	\$ —	\$ 121.5
December 31, 2022:						
Fixed indexed call options	56.7	—	56.7	—	—	56.7

REINSURANCE

The cost of reinsurance ceded totaled \$46.7 million and \$51.2 million in the third quarters of 2023 and 2022, respectively, and \$144.7 million and \$152.3 million in the first nine months of 2023 and 2022, respectively. We deduct this cost from insurance policy income. Reinsurance recoveries netted against insurance policy benefits totaled \$98.3 million and \$95.1 million in the third quarters of 2023 and 2022, respectively, and \$320.1 million and \$296.0 million in the first nine months of 2023 and 2022, 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 \$4.2 million and \$4.7 million in the third quarters of 2023 and 2022, respectively, and \$12.6 million and \$14.2 million in the

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first nine months of 2023 and 2022, respectively. Insurance policy benefits related to reinsurance assumed totaled \$5.8 million and \$7.2 million in the third quarters of 2023 and 2022, respectively, and \$16.3 million and \$19.7 million in the first nine months of 2023 and 2022, respectively.

INCOME TAXES

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Current tax expense	\$ 6.3	\$ 14.9	\$ 40.0	\$ 19.9
Deferred tax expense	42.0	37.1	30.5	155.5
Total income tax expense	<u>\$ 48.3</u>	<u>\$ 52.0</u>	<u>\$ 70.5</u>	<u>\$ 175.4</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:

	Nine months ended September 30,	
	2023	2022
U.S. statutory corporate rate	21.0 %	21.0 %
Non-taxable income and nondeductible benefits, net	(.4)	(.1)
State taxes	2.1	1.9
Effective tax rate	<u>22.7 %</u>	<u>22.8 %</u>

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

	September 30, 2023	December 31, 2022
Deferred tax assets:		
Net federal operating loss carryforwards	\$ 100.1	\$ 166.0
Net state operating loss carryforwards	2.5	2.5
Insurance liabilities	312.8	298.5
Indirect costs allocable to self-constructed real estate assets	244.5	214.8
Accumulated other comprehensive loss	552.6	552.4
Other	2.9	7.3
Gross deferred tax assets	1,215.4	1,241.5
Deferred tax liabilities:		
Investments	(30.8)	(37.2)
Present value of future profits and deferred acquisition costs	(158.6)	(148.9)
Gross deferred tax liabilities	(189.4)	(186.1)
Net deferred tax assets	1,026.0	1,055.4
Current income taxes prepaid	13.8	8.0
Income tax assets, net	\$ 1,039.8	\$ 1,063.4

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

A reduction of the net carrying amount of deferred tax assets by establishing a valuation allowance is required if, based on the available evidence, it is more likely than not that such assets will not be realized. In assessing the need for a valuation allowance, all available evidence, both positive and negative, are 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. Our estimates of future taxable income are based on evidence we consider to be objectively verifiable. At September 30, 2023, 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 numerous risks and uncertainties 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 \$1,026.0 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 the recognition of a valuation allowance in a future period. The recognition of a valuation allowance would increase 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
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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 (3.17 percent at September 30, 2023), and the annual restriction could limit our ability to use a substantial portion of our NOLs to offset future taxable income. We regularly monitor ownership change (as calculated for purposes of Section 382) and, as of September 30, 2023, we were below the 50 percent ownership change level that could limit our ability to utilize our NOLs.

We have \$476.6 million of federal non-life NOLs as of September 30, 2023, as summarized below (dollars in millions):

Year of expiration	Net operating loss carryforwards
2026	\$ 125.1
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	<u>\$ 476.6</u>

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 at both September 30, 2023 and December 31, 2022. 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 Internal Revenue Service 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 2022. 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.

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NOTES PAYABLE - DIRECT CORPORATE OBLIGATIONS

The following notes payable were direct corporate obligations of the Company as of September 30, 2023 and December 31, 2022 (dollars in millions):

	September 30, 2023	December 31, 2022
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	(9.9)	(11.2)
Direct corporate obligations	<u>\$ 1,140.1</u>	<u>\$ 1,138.8</u>

Revolving Credit Agreement

The \$250.0 million 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 percent of total capitalization) of not more than 35.0 percent (such ratio was 21.5 percent at September 30, 2023); 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 \$3,846.8 million at September 30, 2023 compared to the minimum requirement of \$2,696.5 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 Secured Overnight Financing Rate ("SOFR") (plus a credit spread adjustment of 0.10 percent for all available interest periods) 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 SOFR, 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. There were no amounts outstanding under the Revolving Credit Agreement during the nine months ended September 30, 2023.

INVESTMENT BORROWINGS

Three of the Company's insurance subsidiaries (Bankers Life and Casualty Company ("Bankers Life"), Washington National Insurance Company ("Washington National") and Colonial Penn Life Insurance Company ("Colonial Penn")) are members of the FHLB. As members of the FHLB, our insurance subsidiaries have the ability to borrow on a collateralized basis from the FHLB. We are required to hold certain minimum amounts of FHLB common stock as a condition of membership in the FHLB, and additional amounts based on the amount of the borrowings. At September 30, 2023, the carrying value of the FHLB common stock was \$90.1 million. As of September 30, 2023, collateralized borrowings from the FHLB totaled \$2.1 billion and the proceeds were used to purchase matched variable rate 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 \$2.5 billion at September 30, 2023, 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.

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

Amount borrowed	Maturity date	Interest rate at September 30, 2023
\$ 100.0	April 2024	Variable rate – 5.628%
22.0	May 2024	Variable rate – 5.743%
15.5	July 2024	Fixed rate – 1.990%
27.0	August 2024	Fixed rate – .640%
21.7	May 2025	Variable rate – 5.728%
18.2	June 2025	Fixed rate – 2.940%
12.5	June 2025	Variable rate – 5.880%
125.0	September 2025	Variable rate – 5.660%
100.0	October 2025	Variable rate – 5.878%
100.0	October 2025	Variable rate – 5.878%
57.7	October 2025	Variable rate – 5.843%
50.0	November 2025	Variable rate – 5.854%
12.5	December 2025	Variable rate – 5.896%
50.0	January 2026	Variable rate – 5.808%
50.0	January 2026	Variable rate – 5.857%
100.0	January 2026	Variable rate – 5.803%
15.0	January 2026	Variable rate – 5.977%
21.8	May 2026	Variable rate – 5.693%
50.0	May 2026	Variable rate – 5.580%
75.0	December 2026	Variable rate – 5.767%
75.0	January 2027	Variable rate – 5.663%
50.0	January 2027	Variable rate – 5.758%
50.0	January 2027	Variable rate – 5.813%
100.0	February 2027	Variable rate – 5.788%
50.0	April 2027	Variable rate – 5.674%
50.0	May 2027	Variable rate – 5.684%
100.0	June 2027	Variable rate – 5.680%
10.0	June 2027	Variable rate – 5.903%
50.0	July 2027	Variable rate – 6.044%
50.0	July 2027	Variable rate – 6.064%
100.0	August 2027	Variable rate – 6.048%
75.0	January 2028	Variable rate – 5.788%
50.0	January 2028	Variable rate – 5.798%
50.0	January 2028	Variable rate – 5.868%
34.5	February 2028	Variable rate – 5.908%
21.0	February 2028	Variable rate – 5.788%
100.0	February 2028	Variable rate – 5.808%
15.0	July 2028	Variable rate – 5.690%
35.0	August 2028	Variable rate – 5.700%
<u>\$ 2,089.4</u>		

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Generally, the variable and fixed rate borrowings are pre-payable. At September 30, 2023, the aggregate prepayment penalty on such outstanding borrowings was not material.

Interest expense of \$74.2 million and \$17.4 million in the first nine months of 2023 and 2022, respectively, was recognized related to total borrowings from the FHLB, reflecting both higher interest rates on the variable rate investment borrowings and higher average borrowings outstanding in the 2023 period.

CHANGES IN COMMON STOCK

In the first nine months of 2023, we repurchased 3.6 million shares of common stock for \$85.1 million under our securities repurchase program (including \$0.8 million of repurchases settled in the fourth quarter of 2023). In May 2023, the Company's Board of Directors approved an additional \$500.0 million to repurchase the Company's outstanding shares of common stock. The Company had remaining repurchase authority of \$601.8 million as of September 30, 2023.

In the first nine months of 2023, we issued 1.4 million shares of common stock, net of shares withheld to pay tax withholdings, pursuant to employee benefit plans.

In the first nine months of 2023, dividends declared on common stock totaled \$51.0 million (\$0.44 per common share). In May 2023, the Company increased its quarterly common stock dividend to \$0.15 per share from \$0.14 per share.

LITIGATION AND OTHER LEGAL PROCEEDINGS

Legal Proceedings

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

In addition to the inherent difficulty of predicting litigation outcomes, particularly those that will be decided by a jury, some matters purport to seek substantial or an unspecified amount of damages for unsubstantiated conduct spanning several years based on complex legal theories and damages models. The alleged damages typically are indeterminate or not factually supported in the complaint, and, in any event, the Company's experience indicates that monetary demands for damages often bear little relation to the ultimate loss. In some cases, plaintiffs are seeking to certify classes in the litigation and class certification either has been denied or is pending and we have filed oppositions to class certification or sought to decertify a prior class certification. In addition, for many of these cases: (i) there is uncertainty as to the outcome of pending appeals or motions; (ii) there are significant factual issues to be resolved; and/or (iii) there are novel legal issues presented. Accordingly, the Company cannot reasonably estimate the possible loss or range of loss in excess of amounts accrued, if any, or predict the timing of the eventual resolution of these matters. The Company reviews these matters on an ongoing basis. When assessing reasonably possible and probable outcomes, the Company bases its assessment on the expected ultimate outcome following all appeals.

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On April 9, 2019, Bankers Consec Life Insurance Company ("BCLIC") and Washington National commenced an action entitled *Bankers Consec 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 case has been resolved by settlement and dismissed.

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 Consec Life Insurance Company and Washington National Insurance Company v. KPMG LLP*, in the Supreme Court of the State of New York, County of New York, Commercial Division (the "KPMG Action"). BCLIC and Washington National seek an unspecified amount of damages, costs, attorney's fees, and other relief as the court deems appropriate. In the KPMG Action, BCLIC and Washington National assert claims against KPMG LLP ("KPMG") for aiding and abetting fraud, constructive fraud and negligent misrepresentation arising from KPMG's alleged role in the Platinum Partners' scheme to defraud BCLIC and Washington National into reinsuring its long-term care business with BRe. The Court granted KPMG's motion to dismiss this litigation. BCLIC and Washington National appealed the Court's decision. On December 1, 2020, the New York Appellate Division of the Supreme Court, First Judicial Department unanimously reversed the trial court and reinstated the aiding and abetting claim against KPMG. The case has been resolved by settlement and dismissed.

On October 5, 2012, plaintiffs William Jeffrey Burnett and Joe H. Camp commenced an action entitled *Burnett v. Consec Life Ins. Co.* against, among others, CNO Financial Group, Inc. and CNO Services, LLC (collectively, the "CNO Entities") in the United States District Court for the Central District of California on behalf of a putative class of former interest-sensitive whole life insurance policyholders who surrendered their policies or let them lapse. Plaintiffs' first amended complaint alleges that the CNO Entities are liable under an alter ego theory for Consec Life Insurance Company's purported breach of the optional premium payment provision (the "Optional Premium Payment") of plaintiffs' insurance policies. In January 2018, the case was transferred to the United States District Court for the Southern District of Indiana. On August 17, 2020, the Court denied the CNO Entities' motions to dismiss. On January 13, 2021, the Court granted final approval of a class action settlement between plaintiffs and co-defendant Consec Life Insurance Company (n/k/a Wilco Life Insurance Company). The case remains pending against the CNO Entities. On March 25, 2022, the Court certified a Rule 23(b)(3) class of under 2,000 policyholders who invoked the policy's Optional Premium Payment prior to October 2008 and who surrendered their policies between October 7, 2008 and September 1, 2011. The Court's certification order acknowledged the existence of individualized issues of causation and damages, which the Court stated could be addressed in individualized proceedings following a class trial on the alter ego allegations and the meaning of the subject insurance policy language. The CNO Entities continue to vigorously defend the case.

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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.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 240.2	\$ 592.6
Adjustments to reconcile net income to net cash from operating activities:		
Amortization and depreciation	198.5	184.7
Income taxes	24.6	154.7
Insurance liabilities	169.5	(475.0)
Accrual, amortization and fair value changes included in investment income	(54.9)	132.0
Deferral of policy acquisition costs	(277.6)	(248.5)
Net investment losses	79.2	99.2
Other (a)	26.7	(105.2)
Net cash from operating activities	\$ 406.2	\$ 334.5

(a) Primarily relates to: (i) changes in other assets and liabilities related to the timing of payments and receipts; and (ii) the change in fair value of the deferred compensation plan liability.

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

	Nine months ended September 30,	
	2023	2022
Amounts related to employee benefit plans	\$ 18.4	\$ 19.8

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INVESTMENTS IN VARIABLE INTEREST ENTITIES

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

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

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

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

	September 30, 2023		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	\$ 858.1	\$ —	\$ 858.1
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	122.0	—	122.0
Accrued investment income	2.5	—	2.5
Income tax assets, net	13.4	—	13.4
Other assets	.1	(.8)	(.7)
Total assets	<u>\$ 996.1</u>	<u>\$ (114.6)</u>	<u>\$ 881.5</u>
Liabilities:			
Other liabilities	\$ 17.8	\$ (4.2)	\$ 13.6
Borrowings related to variable interest entities	918.5	—	918.5
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	<u>\$ 1,062.4</u>	<u>\$ (130.3)</u>	<u>\$ 932.1</u>

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	December 31, 2022		
	VIEs	Eliminations	Net effect on consolidated balance sheet
Assets:			
Investments held by variable interest entities	\$ 1,077.6	\$ —	\$ 1,077.6
Notes receivable of VIEs held by subsidiaries	—	(113.8)	(113.8)
Cash and cash equivalents held by variable interest entities	69.2	—	69.2
Accrued investment income	3.5	—	3.5
Income tax assets, net	19.6	—	19.6
Other assets	2.5	(.8)	1.7
Total assets	\$ 1,172.4	\$ (114.6)	\$ 1,057.8
Liabilities:			
Other liabilities	\$ 29.3	\$ (2.4)	\$ 26.9
Borrowings related to variable interest entities	1,104.6	—	1,104.6
Notes payable of VIEs held by subsidiaries	126.1	(126.1)	—
Total liabilities	\$ 1,260.0	\$ (128.5)	\$ 1,131.5

The investment portfolios held by the VIEs are primarily comprised of commercial bank loans to corporate obligors which are almost entirely rated below-investment grade. At September 30, 2023, such loans had an amortized cost of \$880.6 million; gross unrealized gains of \$1.9 million; gross unrealized losses of \$21.5 million; allowance for credit losses of \$2.9 million; and an estimated fair value of \$858.1 million.

The following table summarizes changes in the allowance for credit losses related to corporate securities held by VIEs for the three months ended September 30, 2023 and 2022 (dollars in millions):

	Three months ended September 30,	
	2023	2022
Allowance at the beginning of the period	\$ 4.5	\$ 12.2
Additions for securities for which credit losses were not previously recorded	.1	.9
Additions for purchased securities with deteriorated credit	—	—
Additions (reductions) for securities where an allowance was previously recorded	(.6)	(5.7)
Reduction for securities sold during the period	(1.1)	(.9)
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	\$ 2.9	\$ 6.5

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The following table summarizes changes in the allowance for credit losses related to corporate securities held by VIEs for the nine months ended September 30, 2023 and 2022 (dollars in millions):

	Nine months ended September 30,	
	2023	2022
Allowance at the beginning of the period	\$ 5.5	\$ 3.7
Additions for securities for which credit losses were not previously recorded	.7	7.2
Additions for purchased securities with deteriorated credit	—	—
Additions (reductions) for securities where an allowance was previously recorded	(.5)	(2.5)
Reduction for securities sold during the period	(2.8)	(1.9)
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>\$ 2.9</u>	<u>\$ 6.5</u>

The following table sets forth the amortized cost and estimated fair value of the investments held by the VIEs at September 30, 2023, by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
	(Dollars in millions)	
Due in one year or less	\$ 5.3	\$ 4.6
Due after one year through five years	770.2	750.4
Due after five years through ten years	105.1	103.1
Total	<u>\$ 880.6</u>	<u>\$ 858.1</u>

During the first nine months of 2023, the VIEs recognized investment losses of \$4.2 million which were comprised of: (i) \$6.8 million of net losses from the sales of fixed maturities; and (ii) a decrease in the allowance for credit losses of \$2.6 million. Such net realized losses included gross realized losses of \$6.9 million from the sale of \$18.5 million of investments. During the first nine months of 2022, the VIEs recognized net investment losses of \$6.7 million which were comprised of: (i) \$3.9 million of net losses from the sales of fixed maturities; and (ii) an increase in the allowance for credit losses of \$2.8 million. Such net realized losses included gross realized losses of \$3.9 million from the sale of \$55.9 million of investments.

At September 30, 2023, there were no fixed maturity investments held by the VIEs in default.

At September 30, 2023, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of \$90.6 million and gross unrealized losses not deemed to have credit losses of \$0.3 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 \$447.3 million and gross unrealized losses not deemed to have credit losses of \$11.4 million that had been in an unrealized loss position for twelve months or greater.

At December 31, 2022, the VIEs held: (i) investments (for which an allowance for credit losses has not been recorded) with a fair value of \$392.2 million and gross unrealized losses of \$14.2 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 \$477.9 million and gross unrealized losses of \$17.3 million that had been in an unrealized loss position for twelve months or greater.

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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 September 30, 2023, we held investments in various limited partnerships and hedge funds, in which we are not the primary beneficiary, totaling \$540.1 million (classified as other invested assets). At September 30, 2023, we had unfunded commitments to these partnerships totaling \$523.7 million. Our maximum exposure to loss on these investments is limited to the amount of our investment.

FAIR VALUE MEASUREMENTS

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

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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 indexed 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 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.

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- Other invested assets - derivatives

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

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

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

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

For securities that are not priced by pricing services and may not be reliably priced using pricing models, we obtain broker quotes. These broker quotes are non-binding and represent an exit price, but assumptions used to establish the fair value may not be observable and therefore represent Level 3 inputs. Approximately 79 percent of our Level 3 fixed maturity securities and trading securities were valued using unadjusted broker quotes or broker-provided valuation inputs. The remaining Level 3 fixed maturity investments do not have readily determinable market prices and/or observable inputs. For these securities, we use internally developed valuations. Key assumptions used to determine fair value for these securities may include risk premiums, projected performance of underlying collateral and other factors involving significant assumptions which may not be reflective of an active market. For certain investments, we use a matrix or model process to develop a security price where future cash flow expectations are discounted at an estimated market rate. The pricing matrix incorporates term interest rates as well as a spread level based on the issuer's credit rating, other factors relating to the issuer, and the security's maturity. In some instances issuer-specific spread adjustments, which can be positive or negative, are made based upon internal analysis of security specifics such as liquidity, deal size, and time to maturity.

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The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at September 30, 2023 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	\$ —	\$ 10,831.1	\$ 127.8	\$ 10,958.9
United States Treasury securities and obligations of United States government corporations and agencies	—	165.4	—	165.4
States and political subdivisions	—	2,306.0	—	2,306.0
Foreign governments	—	76.0	—	76.0
Asset-backed securities	—	1,317.7	41.5	1,359.2
Agency residential mortgage-backed securities	—	615.9	—	615.9
Non-agency residential mortgage-backed securities	—	1,522.6	2.6	1,525.2
Collateralized loan obligations	—	1,059.5	—	1,059.5
Commercial mortgage-backed securities	—	2,226.8	12.3	2,239.1
Total fixed maturities, available for sale	—	20,121.0	184.2	20,305.2
Equity securities - corporate securities	22.9	—	72.6	95.5
Trading securities:				
Asset-backed securities	—	34.9	—	34.9
Agency residential mortgage-backed securities	—	3.4	—	3.4
Non-agency residential mortgage-backed securities	—	59.9	—	59.9
Collateralized debt obligations	—	8.9	—	8.9
Commercial mortgage-backed securities	—	114.1	—	114.1
Total trading securities	—	221.2	—	221.2
Investments held by variable interest entities - corporate securities	—	858.1	—	858.1
Other invested assets:				
Derivatives	—	150.0	—	150.0
Residual tranches	—	13.7	12.1	25.8
Total other invested assets	—	163.7	12.1	175.8
Market risk benefit asset	—	—	89.3	89.3
Assets held in separate accounts	—	2.9	—	2.9
Total assets carried at fair value by category	\$ 22.9	\$ 21,366.9	\$ 358.2	\$ 21,748.0
Liabilities:				
Market risk benefit liability	\$ —	\$ —	\$ 3.1	\$ 3.1
Embedded derivatives associated with fixed indexed annuity products	—	—	1,213.4	1,213.4
Total liabilities carried at fair value by category	\$ —	\$ —	\$ 1,216.5	\$ 1,216.5

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The categorization of fair value measurements, by input level, for our financial instruments carried at fair value on a recurring basis at December 31, 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	\$ —	\$ 11,584.9	\$ 127.8	\$ 11,712.7
United States Treasury securities and obligations of United States government corporations and agencies	—	158.7	—	158.7
States and political subdivisions	—	2,388.5	—	2,388.5
Foreign governments	—	74.7	—	74.7
Asset-backed securities	—	1,230.0	57.0	1,287.0
Agency residential mortgage-backed securities	—	175.0	—	175.0
Non-agency residential mortgage-backed securities	—	1,492.3	56.2	1,548.5
Collateralized loan obligations	—	782.5	3.4	785.9
Commercial mortgage-backed securities	—	2,207.9	14.5	2,222.4
Total fixed maturities, available for sale	—	20,094.5	258.9	20,353.4
Equity securities - corporate securities	59.6	—	75.7	135.3
Trading securities:				
Asset-backed securities	—	15.1	—	15.1
Agency residential mortgage-backed securities	—	.3	—	.3
Non-agency residential mortgage-backed securities	—	60.2	.5	60.7
Commercial mortgage-backed securities	—	131.8	—	131.8
Total trading securities	—	207.4	.5	207.9
Investments held by variable interest entities - corporate securities	—	1,077.6	—	1,077.6
Other invested assets:				
Derivatives	—	56.7	—	56.7
Residual tranches	—	—	18.3	18.3
Total other invested assets	—	56.7	18.3	75.0
Market risk benefit asset	—	—	65.3	65.3
Assets held in separate accounts	—	2.7	—	2.7
Total assets carried at fair value by category	\$ 59.6	\$ 21,438.9	\$ 418.7	\$ 21,917.2
Liabilities:				
Market risk benefit liability	\$ —	\$ —	\$ 11.3	\$ 11.3
Embedded derivatives associated with fixed indexed annuity products	—	—	1,297.0	1,297.0
Total liabilities carried at fair value by category	\$ —	\$ —	\$ 1,308.3	\$ 1,308.3

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

September 30, 2023					
	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	\$ —	\$ —	\$ 1,790.2	\$ 1,790.2	\$ 1,971.3
Policy loans	—	—	126.4	126.4	126.4
Other invested assets:					
Company-owned life insurance	—	200.5	—	200.5	200.5
Cash and cash equivalents:					
Unrestricted	460.8	—	—	460.8	460.8
Held by variable interest entities	122.0	—	—	122.0	122.0
Liabilities:					
Policyholder account balances	—	—	15,481.8	15,481.8	15,481.8
Future policy benefits	—	—	(462.7)	(462.7)	(462.7)
Investment borrowings	—	2,090.3	—	2,090.3	2,089.4
Borrowings related to variable interest entities	—	929.0	—	929.0	918.5
Notes payable – direct corporate obligations	—	1,054.1	—	1,054.1	1,140.1

December 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	\$ —	\$ —	\$ 1,273.6	\$ 1,273.6	\$ 1,411.9
Policy loans	—	—	121.6	121.6	121.6
Other invested assets:					
Company-owned life insurance	—	199.1	—	199.1	199.1
Cash and cash equivalents:					
Unrestricted	575.7	—	—	575.7	575.7
Held by variable interest entities	69.2	—	—	69.2	69.2
Liabilities:					
Policyholder account balances	—	—	15,234.2	15,234.2	15,234.2
Future policy benefits	—	—	(491.4)	(491.4)	(491.4)
Investment borrowings	—	1,640.5	—	1,640.5	1,639.5
Borrowings related to variable interest entities	—	1,066.3	—	1,066.3	1,104.6
Notes payable – direct corporate obligations	—	1,077.0	—	1,077.0	1,138.8

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 September 30, 2023 (dollars in millions):

September 30, 2023									
	Beginning balance as of June 30, 2023	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of September 30, 2023	Amount of total gains (losses) for the three months ended September 30, 2023 included in our net income relating to assets still held as of the reporting date	Amount of total gains (losses) for the three months ended September 30, 2023 included in accumulated other comprehensive income (loss) relating to assets still held as of the reporting date
Assets:									
Fixed maturities, available for sale:									
Corporate securities	\$ 136.2	\$ 6.3	\$ (12.8)	\$ 2.9	\$ 1.6	\$ (6.4)	\$ 127.8	\$ (12.8)	\$ 2.1
Asset-backed securities	39.8	1.1	—	.6	—	—	41.5	—	.6
Non-agency residential mortgage-backed securities	6.0	—	—	.1	2.5	(6.0)	2.6	—	.1
Commercial mortgage-backed securities	12.4	—	—	(.1)	—	—	12.3	—	(.1)
Total fixed maturities, available for sale	194.4	7.4	(12.8)	3.5	4.1	(12.4)	184.2	(12.8)	2.7
Equity securities - corporate securities	72.8	—	(.2)	—	—	—	72.6	(.2)	—
Other invested assets - residual tranches	7.5	3.9	—	—	.7	—	12.1	—	—

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 September 30, 2023 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	\$ 6.3	\$ —	\$ —	\$ —	\$ 6.3
Asset-backed securities	1.3	(.2)	—	—	1.1
Total fixed maturities, available for sale	7.6	(.2)	—	—	7.4
Other invested assets - residual tranches	3.9	—	—	—	3.9

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 nine months ended September 30, 2023 (dollars in millions):

September 30, 2023										
	Beginning balance as of December 31, 2022	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of September 30, 2023	Amount of total gains (losses) for the nine months ended September 30, 2023 included in our net income relating to assets still held as of the reporting date	Amount of total gains (losses) for the nine months ended September 30, 2023 included in accumulated other comprehensive income (loss) relating to assets still held as of the reporting date	
Assets:										
Fixed maturities, available for sale:										
Corporate securities	\$ 127.8	\$ 9.1	\$ (1.7)	\$ (6.9)	\$ 5.9	\$ (6.4)	\$ 127.8	\$ (1.7)	\$ (9.2)	
Asset-backed securities	57.0	(3.9)	(.2)	(1.0)	—	(10.4)	41.5	—	(1.1)	
Non-agency residential mortgage-backed securities	56.2	(.1)	—	.2	—	(53.7)	2.6	—	.2	
Collateralized loan obligations	3.4	—	—	—	—	(3.4)	—	—	—	
Commercial mortgage-backed securities	14.5	—	—	(2.2)	—	—	12.3	—	(2.2)	
Total fixed maturities, available for sale	258.9	5.1	(1.9)	(9.9)	5.9	(73.9)	184.2	(1.7)	(12.3)	
Equity securities - corporate securities	75.7	(2.1)	(1.0)	—	—	—	72.6	(.5)	—	
Trading securities - non-agency residential mortgage-backed securities	.5	—	—	—	—	(.5)	—	—	—	
Other invested assets - residual tranches	18.3	6.1	.4	—	—	(12.7)	12.1	.4	—	

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 nine months ended September 30, 2023 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	\$ 10.5	\$ (1.4)	\$ —	\$ —	\$ 9.1
Asset-backed securities	3.8	(7.7)	—	—	(3.9)
Non-agency residential mortgage-backed securities	—	(.1)	—	—	(.1)
Total fixed maturities, available for sale	14.3	(9.2)	—	—	5.1
Equity securities - corporate securities	—	(2.1)	—	—	(2.1)
Other invested assets - residual tranches	6.4	(.3)	—	—	6.1

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 September 30, 2022 (dollars in millions):

September 30, 2022										
	Beginning balance as of June 30, 2022	Purchases, sales, issuances and settlements, net (b)	Total realized and unrealized gains (losses) included in net income	Total realized and unrealized gains (losses) included in accumulated other comprehensive income (loss)	Transfers into Level 3 (a)	Transfers out of Level 3 (a)	Ending balance as of September 30, 2022	Amount of total gains (losses) for the three months ended September 30, 2022 included in our net income relating to assets still held as of the reporting date	Amount of total gains (losses) for the three months ended September 30, 2022 included in accumulated other comprehensive income (loss) relating to assets still held as of the reporting date	
Assets:										
Fixed maturities, available for sale:										
Corporate securities	\$ 124.0	\$ 2.7	\$ (.9)	\$ (13.4)	\$ 9.7	\$ —	\$ 122.1	\$ (.9)	\$ (14.2)	
Asset-backed securities	29.7	18.3	—	(3.2)	4.1	—	48.9	—	(3.2)	
Non-agency residential mortgage-backed securities	40.5	(.1)	—	(2.5)	13.6	(22.4)	29.1	—	(2.5)	
Collateralized loan obligations	4.4	—	—	—	13.4	(4.4)	13.4	—	—	
Commercial mortgage-backed securities	16.5	—	—	(1.1)	22.2	—	37.6	—	(1.1)	
Total fixed maturities, available for sale	215.1	20.9	(.9)	(20.2)	63.0	(26.8)	251.1	(.9)	(21.0)	
Equity securities - corporate securities	8.2	—	(.5)	—	67.1	—	74.8	(.5)	—	
Trading securities:										
Non-agency residential mortgage-backed securities	3.4	—	—	—	—	(3.4)	—	—	—	
Commercial mortgage-backed securities	6.0	—	—	—	—	(6.0)	—	—	—	
Total trading securities	9.4	—	—	—	—	(9.4)	—	—	—	
Other invested assets - residual tranches	2.6	1.6	(.5)	—	.3	—	4.0	(.5)	—	

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 September 30, 2022 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	\$ 9.3	\$ (6.6)	\$ —	\$ —	\$ 2.7
Asset-backed securities	19.0	(.7)	—	—	18.3
Non-agency residential mortgage-backed securities	—	(.1)	—	—	(.1)
Total fixed maturities, available for sale	28.3	(7.4)	—	—	20.9
Other invested assets - residual tranches	1.6	—	—	—	1.6

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 nine months ended September 30, 2022 (dollars in millions):

September 30, 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 September 30, 2022	Amount of total gains (losses) for the nine months ended September 30, 2022 included in our net income relating to assets still held as of the reporting date	Amount of total gains (losses) for the nine months ended September 30, 2022 included in accumulated other comprehensive income (loss) relating to assets still held as of the reporting date	
Assets:										
Fixed maturities, available for sale:										
Corporate securities	\$ 89.7	\$ 13.0	\$ (.1)	\$ (41.7)	\$ 68.6	\$ (7.4)	\$ 122.1	\$.4	\$ (43.1)	
Asset-backed securities	26.6	26.0	—	(6.4)	2.7	—	48.9	—	(6.4)	
Non-agency residential mortgage-backed securities	—	6.0	—	(10.3)	33.4	—	29.1	—	(10.3)	
Collateralized loan obligations	5.0	—	—	(4)	13.8	(5.0)	13.4	—	(4)	
Commercial mortgage-backed securities	19.0	28.0	—	(9.4)	—	—	37.6	—	(9.5)	
Total fixed maturities, available for sale	140.3	73.0	(.1)	(68.2)	118.5	(12.4)	251.1	.4	(69.7)	
Equity securities - corporate securities	11.5	63.9	(.6)	—	—	—	74.8	(.5)	—	
Trading securities:										
Non-agency residential mortgage-backed securities	3.5	—	—	—	—	(3.5)	—	—	—	
Commercial mortgage-backed securities	12.9	—	—	—	—	(12.9)	—	—	—	
Total trading securities	16.4	—	—	—	—	(16.4)	—	—	—	
Investments held by variable interest entities - corporate securities	2.2	(2.1)	(.1)	—	—	—	—	—	—	
Other invested assets - residual tranches	—	2.8	—	(.6)	1.8	—	4.0	—	(.6)	

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 nine months ended September 30, 2022 (dollars in millions):

	Purchases	Sales	Issuances	Settlements	Purchases, sales, issuances and settlements, net
Assets:					
Fixed maturities, available for sale:					
Corporate securities	\$ 24.2	\$ (11.2)	\$ —	\$ —	\$ 13.0
Asset-backed securities	26.9	(.9)	—	—	26.0
Non-agency residential mortgage-backed securities	6.5	(.5)	—	—	6.0
Commercial mortgage-backed securities	28.0	—	—	—	28.0
Total fixed maturities, available for sale	85.6	(12.6)	—	—	73.0
Equity securities - corporate securities	67.0	(3.1)	—	—	63.9
Investments held by variable interest entities - corporate securities	—	(2.1)	—	—	(2.1)
Other invested assets - residual tranches	2.8	—	—	—	2.8

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses during the time the applicable financial instruments were classified as Level 3. Realized and unrealized gains (losses) on Level 3 assets are primarily reported in either net investment income for policyholder and other special-purpose portfolios or investment gains (losses) within the consolidated statement of operations; or accumulated other comprehensive income (loss) 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 still held as of the reporting date primarily represents: (i) the change in allowance for credit losses for fixed maturities, available for sale; and (ii) changes in fair value of equity securities and trading securities that are held as of the reporting date. The amount presented for gains (losses) included in accumulated other comprehensive income (loss) for assets still held as of the reporting date primarily represents changes in the fair value of fixed maturities, available for sale, that are held as of the reporting date.

At September 30, 2023, 84 percent of our Level 3 fixed maturities, available for sale, were investment grade and 69 percent of our Level 3 fixed maturities, available for sale, consisted of corporate securities.

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

The following table summarizes changes in the value of our embedded derivatives associated with fixed indexed annuity products (classified in policyholder account balances and future policy benefits as presented in the note to the consolidated financial statements entitled "Accounting for Derivatives") 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Balance at beginning of the period	\$ 1,355.4	\$ 1,371.0	\$ 1,297.0	\$ 1,724.1
Premiums less benefits	(16.2)	12.0	(45.9)	55.3
Change in fair value, net	(125.8)	(129.1)	(37.7)	(525.5)
Balance at end of the period	<u>\$ 1,213.4</u>	<u>\$ 1,253.9</u>	<u>\$ 1,213.4</u>	<u>\$ 1,253.9</u>

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

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 September 30, 2023 (dollars in millions):

	Fair value at September 30, 2023	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	\$ 2.7	Discounted cash flow analysis	Discount margins	2.22%
Corporate securities (c)	2.5	Recovery method	Percent of recovery expected	0.00% - 25.00% (25.00%)
Corporate securities (d)	1.5	Unadjusted purchase price	Not applicable	Not applicable
Asset-backed securities (e)	23.6	Discounted cash flow analysis	Discount margins	2.23% - 3.39% (2.98%)
Equity securities (f)	63.3	Market comparables	EBITDA multiples	10.7X
Equity securities (g)	.1	Recovery method	Percent of recovery expected	0.00% - 100.00% (100.00%)
Equity securities (h)	9.2	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (i)	166.0	Unadjusted third-party price source	Not applicable	Not applicable
Market risk benefit asset (j)	89.3	Discounted cash flow analysis	Surrender rates Utilization rates	1.28% - 11.05% (3.68%) 5.92% - 47.62% (22.54%)
Total	<u>358.2</u>			
Liabilities:				
Market risk benefit liability (j)	3.1	Discounted cash flow analysis	Surrender rates Utilization rates	1.28% - 11.05% (3.68%) 5.92% - 47.62% (22.54%)
Embedded derivatives related to fixed indexed annuity products (k)	1,213.4	Discounted projected embedded derivatives	Projected portfolio yields Discount rates Surrender rates	4.30% - 4.63% (4.31%) 3.66% - 5.55% (5.20%) 1.90% - 27.70% (9.20%)

(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 multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"). Generally, increases (decreases) in the EBITDA multiples would result in higher (lower) fair value measurements.

(g) 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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

- (h) Equity securities - For these assets, there were no adjustments to the purchase price.
- (i) 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.
- (j) Market risk benefits – Many of our fixed indexed annuity products include a GLWB that is considered a MRB. The calculation of the value of MRBs are based on significant unobservable inputs including assumptions related to surrenders and utilization of policy benefits. These assumptions are based on actuarial estimates and past experience. Increases in assumed surrender rates would generally increase the value of a MRB asset or decrease the value of a MRB liability (with decreases in assumed surrender rates having the opposite impacts). Increases in utilization rates would generally decrease the value of a MRB asset or increase the value of a MRB liability (with decreases in utilization rates having the opposite impacts).
- (k) Embedded derivatives related to fixed indexed annuity products - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed indexed annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would have resulted in a higher (lower) fair value measurement. The discount rate is based on risk free rates (U.S. Treasury rates for similar durations) adjusted for our non-performance risk and risk margins for non-capital market inputs. Increases (decreases) in the discount rates would have resulted in a lower (higher) fair value measurement. Assumed surrender rates are used to project how long the contracts remain in force. Generally, the longer the contracts are assumed to be in force the higher the fair value of the embedded derivative. The embedded derivatives related to fixed indexed annuity products are classified in policyholder account balances and future policy benefits as presented in the note to the consolidated financial statements entitled "Accounting for Derivatives".

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, 2022 (dollars in millions):

	Fair value at December 31, 2022	Valuation techniques	Unobservable inputs	Range (weighted average) (a)
Assets:				
Corporate securities (b)	\$ 2.9	Discounted cash flow analysis	Discount margins	2.23% - 3.94% (2.25%)
Corporate securities (c)	3.5	Recovery method	Percent of recovery expected	0.00% - 35.00% (35.00%)
Corporate securities (d)	.5	Unadjusted purchase price	Not applicable	Not applicable
Asset-backed securities (e)	21.8	Discounted cash flow analysis	Discount margins	2.50% - 3.86% (3.30%)
Equity securities (f)	63.9	Market comparables	EBITDA multiples	8.5X
Equity securities (g)	.1	Recovery method	Percent of recovery expected	0.00% - 100.00% (100.00%)
Equity securities (h)	11.7	Unadjusted purchase price	Not applicable	Not applicable
Other assets categorized as Level 3 (i)	249.0	Unadjusted third-party price source	Not applicable	Not applicable
Market risk benefit asset (j)	65.3	Discounted cash flow analysis	Surrender rates Utilization rates	1.28% - 11.05% (3.45%) 6.78% - 63.16% (20.09%)
Total	418.7			
Liabilities:				
Market risk benefit liability (j)	11.3	Discounted cash flow analysis	Surrender rates Utilization rates	1.28% - 11.05% (3.45%) 6.78% - 63.16% (20.09%)
Embedded derivatives related to fixed indexed annuity products (k)	1,297.0	Discounted projected embedded derivatives	Projected portfolio yields Discount rates Surrender rates	4.30% - 4.63% (4.31%) 3.77% - 5.48% (4.47%) 1.90% - 27.70% (9.20%)

(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 multiples of earnings before EBITDA. Generally, increases (decreases) in the EBITDA multiples would result in higher (lower) fair value measurements.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

- (g) 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.
- (h) Equity securities - For these assets, there were no adjustments to the purchase price.
- (i) 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.
- (j) Market risk benefits – Many of our fixed indexed annuity products include a GLWB that is considered a MRB. The calculation of the value of MRBs are based on significant unobservable inputs including assumptions related to surrenders and utilization of policy benefits. These assumptions are based on actuarial estimates and past experience. Increases in assumed surrender rates would generally increase the value of a MRB asset or decrease the value of a MRB liability (with decreases in assumed surrender rates having the opposite impacts). Increases in utilization rates would generally decrease the value of a MRB asset or increase the value of a MRB liability (with decreases in utilization rates having the opposite impacts).
- (k) Embedded derivatives related to fixed indexed annuity products - The significant unobservable inputs used in the fair value measurement of our embedded derivatives associated with fixed indexed annuity products are projected portfolio yields, discount rates and surrender rates. Increases (decreases) in projected portfolio yields in isolation would have resulted in a higher (lower) fair value measurement. The discount rate is based on risk free rates (U.S. Treasury rates for similar durations) adjusted for our non-performance risk and risk margins for non-capital market inputs. Increases (decreases) in the discount rates would have resulted in a lower (higher) fair value measurement. Assumed surrender rates are used to project how long the contracts remain in force. Generally, the longer the contracts are assumed to be in force the higher the fair value of the embedded derivative. The embedded derivatives related to fixed indexed annuity products are classified in policyholder account balances and future policy benefits as presented in the note to the consolidated financial statements entitled "Accounting for Derivatives".

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

In this section, we review the consolidated financial condition of CNO at September 30, 2023, and its consolidated results of operations for the nine months ended September 30, 2023 and 2022, 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 2022 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:

- general economic, market and political conditions and uncertainties, including the performance and fluctuations of the financial markets which may affect the value of our investments as well as our ability to raise capital or refinance existing indebtedness and the cost of doing so;
- the impact of pandemics and major public health issues, including the novel coronavirus pandemic and the resulting financial market, economic and other impacts;
- exposure to interest rate risk, including interest rate volatility, may negatively impact our results of operations, financial position or cash flow;
- future investment results, 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 or other unfavorable economic or business conditions may impact the sales and persistency of insurance products, a portion of our insurance policy benefits affected by increased medical coverage costs and various selling, general and administrative expenses;
- 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; health care regulation affecting health insurance products; and privacy laws and regulations;
- 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 (both domestic and international) and potential difficulties arising from outsourcing arrangements;
- expectations for 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, natural disasters or other catastrophic events, including potential adverse impacts from climate change which may increase the frequency or severity of weather-related disasters;

- cyber-security attacks, risk of data loss and other security breaches;
- 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 and financial services 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. 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 this information helps provide a better understanding of the business and a more meaningful analysis of the results of our insurance product lines.

We market our 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 wholly-owned subsidiary, Optavise, a national provider of year-round technology-driven employee benefits management services.

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, investment borrowings and financing arrangements; (iv) expenses related to the FABN program; and (v) certain expenses related to benefit plans that are offset by special-purpose investment income; plus (vi) the impact of annual option forfeitures related to fixed indexed annuity surrenders. Investment income not allocated to product lines includes investment income on investments in excess of amounts allocated to product lines, 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 and financing arrangements. The spread earned from our FHLB investment borrowing and FABN programs includes the investment income on the matched assets less: (i) interest on investment borrowings related to the FHLB investment borrowing program; (ii) interest credited on funding agreements; and (iii) amortization of deferred acquisition costs related to the FABN program.

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

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The following summarizes our earnings for the three and nine months ending September 30, 2023 and 2022 (dollars in millions, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Insurance product margin				
Annuity margin	\$ 57.0	\$ 60.1	\$ 171.4	\$ 176.1
Health margin	123.2	123.3	347.9	364.0
Life margin	59.8	55.7	165.1	161.9
Total insurance product margin	240.0	239.1	684.4	702.0
Allocated expenses	(153.2)	(150.5)	(460.2)	(447.5)
Income from insurance products	86.8	88.6	224.2	254.5
Fee income	(2.9)	1.4	13.2	14.5
Investment income not allocated to product lines	38.4	27.1	81.9	118.7
Expenses not allocated to product lines	7.5	(16.1)	(31.9)	(28.0)
Operating earnings before taxes	129.8	101.0	287.4	359.7
Income tax expense on operating income	(28.5)	(23.1)	(65.2)	(82.2)
Net operating income (a)	101.3	77.9	222.2	277.5
Net realized investment losses from sales and change in allowance for credit losses	(20.1)	(.7)	(64.1)	(35.0)
Net change in market value of investments recognized in earnings	(9.2)	(17.0)	(15.1)	(64.2)
Fair value changes related to agent deferred compensation plan	6.8	12.0	6.8	48.7
Changes in fair value of embedded derivative liabilities and market risk benefits	109.4	130.6	94.7	456.6
Other	(1.1)	2.0	1.0	2.2
Net non-operating income before taxes	85.8	126.9	23.3	408.3
Income tax expense on non-operating income	(19.8)	(28.9)	(5.3)	(93.2)
Net non-operating income	66.0	98.0	18.0	315.1
Net income	\$ 167.3	\$ 175.9	\$ 240.2	\$ 592.6
Per diluted share				
Net operating income	\$.88	\$.67	\$ 1.92	\$ 2.35
Net non-operating income	.58	.85	.16	2.67
Net income	\$ 1.46	\$ 1.52	\$ 2.08	\$ 5.02

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- (a) Management believes that an analysis of net income applicable to common stock before: (i) net realized investment gains or losses from sales, impairments and change in allowance for credit losses, net of taxes; (ii) net change in market value of investments recognized in earnings, net of taxes; (iii) changes in fair value of embedded derivative liabilities and MRBs related to our fixed indexed annuities, net of taxes; (iv) fair value changes related to the agent deferred compensation plan, net of taxes; (v) loss related to reinsurance transaction, net of taxes; (vi) loss on extinguishment of debt, net of taxes; (vii) changes in the valuation allowance for deferred tax assets and other tax items; and (viii) other non-operating items consisting primarily of earnings attributable to VIEs, net of taxes ("net operating income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. The income tax expense or benefit included in net non-operating income (loss) represents the current and deferred income tax expense or benefit allocated to the items included in non-operating earnings. 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. Also, as we adopted the new accounting standard related to targeted improvements to the accounting for long-duration insurance contracts effective January 1, 2023, we updated our method of determining non-operating earnings for our fixed indexed annuities to better identify the volatile non-economic impacts of that line of business. This resulted in fixed indexed annuity margins that more closely reflect the economics of the business.

GOVERNMENTAL REGULATION

Risk-Based Capital

On August 13, 2023, the National Association of Insurance Commissioners ("NAIC") adopted a short-term solution related to the accounting treatment of an insurer's negative interest maintenance reserve ("IMR") balance, which may occur when a rising interest rate environment causes an insurer's IMR balance to become negative as a result of bond sales executed at a capital loss. The new interim statutory accounting guidance, which is effective until December 31, 2025, allows an insurer with an authorized control level RBC greater than 300% to admit negative IMR up to 10% of its general account capital and surplus, subject to certain restrictions and reporting obligations. The NAIC intends to develop a long-term solution for the accounting treatment of negative IMR even if interest rates shift.

The NAIC has undertaken a principles-based bond project, which includes consideration of factors to determine whether an investment in an asset-backed security qualifies for reporting on an insurer's statutory financial statement as a bond on Schedule D-1 as opposed to Schedule BA (other long-term investment assets), the latter of which has a higher risk charge. The NAIC is also reviewing the RBC treatment of collateralized loan obligations ("CLOs"), as discussed below, and on August 16, 2023, the NAIC increased the RBC factor for structured security residual tranches from 30% to 45%, which will be effective for year-end 2024 RBC filings.

Regulation of Investments

The NAIC has been evaluating the risks associated with insurers' investments in leveraged loans and CLOs. Under the NAIC's recent amendment to the Purposes and Procedures Manual, the NAIC's Structured Securities Group will assign risk weights to CLOs based on its own modeling and evaluate tranche level losses across all debt and equity tranches under a series of calibrated and weighted collateral stress scenarios to assign NAIC designations. The goal is to ensure that the aggregate RBC factor for owning all tranches of a CLO is the same as that required for owning all of the underlying loan collateral, in order to avoid RBC arbitrage. The amendment will become effective on January 1, 2024, with insurers first reporting the financially modeled NAIC designations for CLOs with their year-end 2024 financial statement filings. It is possible that the NAIC may propose new regulations or changes to statutory accounting principles regarding CLOs.

Privacy and Cybersecurity Regulation

In July 2023, the SEC adopted the Risk Management, Strategy, Governance, and Incident Disclosure Final Rule (the "Cybersecurity Final Rule") requiring enhanced disclosures of material cybersecurity incidents in a Form 8-K and periodic disclosures of, among other things, details on the processes to assess, identify, and manage those risks, cybersecurity governance, and management's role in overseeing such a compliance program, including the board of directors' oversight of cybersecurity risks. Certain reporting requirements under the Cybersecurity Final Rule become effective as early as December 2023.

The NAIC's Privacy Protections (H) Working Group ("PPWG") continues to develop a new Consumer Privacy Protections and Model Law ("Model 674") to replace the existing privacy models #670 (Insurance Information and Privacy Protections Model Act) and #672 (Privacy of Consumer Financial and Health Information Regulation.) Following meetings in the spring of 2023, the PPWG rewrote model 674 to incorporate industry feedback and they exposed a new draft in July 2023. Due to the large number of comments received, the PPWG intends to ask for an extension of time to develop the new model law at the NAIC's Fall National Meeting in December 2023.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of various assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Management has made estimates in the past that we believed to be appropriate but were subsequently revised to reflect actual experience. If our future experience differs materially from these estimates and assumptions, our results of operations and financial condition could be materially affected.

Effective January 1, 2023, we adopted ASU 2018-12. The adoption of ASU 2018-12 impacted the accounting and presentation related to long-duration insurance contracts and certain related balances for the years ended December 31, 2022 and 2021. Disclosures of the impacts of ASU 2018-12 as of the Transition Date are included within the tables in the note to the consolidated financial statements entitled "Recently Adopted Accounting Standards." For a discussion of our significant accounting policies impacted by the adoption of ASU 2018-12, see the note to the consolidated financial statements entitled "Summary of Significant Accounting Policies".

The critical accounting estimates that were not impacted as a result of the adoption of ASU 2018-12 are described in "Critical Accounting Estimates" in our 2022 Annual Report on Form 10-K. Below is a discussion of our updated critical accounting estimates.

Present Value of Future Profits and Deferred Acquisition Costs

Amortization of the present value of future profits and deferred acquisition costs is calculated using the same contract groupings (or cohorts), mortality and lapse assumptions that are used in calculating the liability for future policy benefits, and these assumptions are reviewed and updated at least annually.

As a result of the adoption of ASU 2018-12, the amortization methodology related to these account balances is no longer subject to the same degree of variability and does not require a high degree of judgment. However, these accounts remain sensitive to unexpected lapses, due to higher mortality and lapse experience than expected. Such changes are recognized in the current period as a reduction of the capitalized balances. The effect of changes in assumptions related to future mortality and lapses are recognized prospectively over the remaining contract term. The carrying value of deferred acquisition costs is no longer subject to recovery testing after the adoption of ASU 2018-12.

Liabilities for Insurance Products

The adoption of ASU 2018-12 significantly changes how we account for the liabilities for insurance products for long-duration contracts and amends existing recognition, measurement, presentation and disclosure requirements. As part of this adoption, we measure all payments under an insurance contract including future expected claims and unpaid policy claims (with the exception of life insurance policy and contract claims, which are classified in the "liability for life insurance policy claims") and related expenses as an integrated reserve. This resulted in unpaid claims on long-duration health insurance contracts that were previously in the "liability for policy and contract claims" pre-adoption to be now presented as part of the liability for future policy benefits.

Our liabilities for future policy benefits are measured using the net premium ratio approach as described in the note to the consolidated financial statements entitled "Summary of Significant Accounting Policies".

The liability for future policy benefits is determined based on numerous assumptions. The most significant assumptions for our life and annuity business are mortality and lapse/withdrawal rates which are based on our experience and, in cases of limited experience, industry experience. Mortality and lapse/withdrawal rates also take into consideration future expectations in policyholder behavior that may vary from past experience. For our health business, mortality rates, lapse rates, morbidity assumptions and future rate increases are based on our experience and, in cases of limited experience, industry experience. Such assumptions also consider future expectations in policyholder behavior that may vary from past experience. In addition, the liability for future policy benefits is measured using estimated discount rates. The assumptions and estimates that we use often depend on judgment regarding the likelihood of future events and are inherently uncertain.

Cash flow assumptions related to our insurance contracts are established when a policy is issued and are evaluated each quarter to determine if assumption updates are required. A more detailed review of assumptions is performed annually during the fourth quarter. Changes to our cash flow assumptions are recognized in the liability for future policy benefits remeasurement (gain) loss in the consolidated statement of operations. Actual experience is reflected in the calculation of future policy benefits each quarter, and changes in the liability due to actual experience are also recognized in the liability for future policy benefits remeasurement (gain) loss in the consolidated statement of operations.

Discount rates used to calculate net premiums are locked in at policy inception and provide the basis to recognize interest expense in the consolidated statement of operations. Discount rates used to measure the carrying value of the liability for future policy benefits in the consolidated balance sheet are updated each reporting period, and differences between the liability balances calculated using the locked-in rate and the updated discount rates are recognized in accumulated other comprehensive income (loss). For additional discussion on the determination of discount rates, see the note to the consolidated financial statements entitled "Summary of Significant Accounting Policies".

Market risk benefits

MRBs are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Many of our fixed indexed annuity products include a GLWB that is considered a MRB. MRBs are measured at fair value using an option-based valuation model based on amount of exposure, market data, Company experience and other factors. Changes in fair value are recognized in earnings each period with the exception of the portion of the change in fair value due to a change in the instrument-specific credit risk, which is recognized in accumulated other comprehensive income (loss). MRBs in an asset position are presented separately from those in a liability position as there is no legal right of offset between contracts.

The cost of MRBs may rise in volatile or declining equity markets or in a low interest rate environment. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility, variations in actuarial

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assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could affect net income and changes in our nonperformance risk could materially affect other comprehensive income.

RESULTS OF OPERATIONS

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Insurance product margin				
Annuity:				
Insurance policy income	\$ 7.2	\$ 6.3	\$ 20.4	\$ 17.1
Net investment income	131.0	121.1	384.1	356.4
Insurance policy benefits	(9.8)	(6.5)	(29.1)	(22.8)
Interest credited	(53.4)	(44.8)	(152.1)	(128.7)
Amortization and non-deferred commissions (a)	(18.0)	(16.0)	(51.9)	(45.9)
Annuity margin	57.0	60.1	171.4	176.1
Health:				
Insurance policy income	397.8	403.5	1,196.3	1,213.7
Net investment income	74.2	73.3	222.5	219.6
Insurance policy benefits	(308.5)	(310.8)	(949.3)	(943.8)
Amortization and non-deferred commissions (a)	(40.3)	(42.7)	(121.6)	(125.5)
Health margin	123.2	123.3	347.9	364.0
Life:				
Insurance policy income	221.0	213.4	663.1	643.0
Net investment income	36.3	35.4	108.7	106.1
Insurance policy benefits	(140.7)	(138.7)	(430.7)	(419.5)
Interest credited	(12.1)	(12.6)	(36.4)	(36.3)
Amortization and non-deferred commissions (a)	(22.1)	(19.7)	(62.8)	(57.4)
Advertising expense	(22.6)	(22.1)	(76.8)	(74.0)
Life margin	59.8	55.7	165.1	161.9
Total insurance product margin	240.0	239.1	684.4	702.0
Allocated expenses:				
Branch office expenses	(16.3)	(16.5)	(52.0)	(50.0)
Other allocated expenses	(136.9)	(134.0)	(408.2)	(397.5)
Income from insurance products	86.8	88.6	224.2	254.5
Fee income	(2.9)	1.4	13.2	14.5
Investment income not allocated to product lines	38.4	27.1	81.9	118.7
Expenses not allocated to product lines	7.5	(16.1)	(31.9)	(28.0)
Operating earnings before taxes	129.8	101.0	287.4	359.7
Income tax expense on operating income	(28.5)	(23.1)	(65.2)	(82.2)
Net operating income	\$ 101.3	\$ 77.9	\$ 222.2	\$ 277.5

- (a) Amortization and non-deferred commissions are comprised of: (i) the amortization of deferred acquisition costs and present value of future profits; and (ii) commission expenses that are not directly related to the successful acquisition of

new or renewal insurance contracts and, therefore, are not eligible to be deferred. Such non-deferred commissions are included in other operating costs and expenses on the consolidated statement of operations.

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 and financial services 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 this information helps provide a better understanding of the business and a more meaningful analysis of the results of our insurance product lines.

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 net insurance liabilities for the block in each period. Net insurance liabilities for the purpose of allocating investment income to product lines are equal to: (i) policyholder account balances for annuity products; (ii) total reserves before the fair value adjustments reflected in accumulated other comprehensive income (loss), if applicable, for all other products; less (iii) amounts related to reinsurance business; (iv) deferred acquisition costs; (v) the present value of future profits; and (vi) the value of unexpired options credited to insurance liabilities. 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, investment borrowings and financing arrangements; (iv) expenses related to the FABN program; and (v) certain expenses related to benefit plans that are offset by special-purpose investment income; plus (vi) the impact of annual option forfeitures related to fixed indexed annuity surrenders. Investment income not allocated to product lines includes investment income on investments in excess of amounts allocated to product lines, 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 and financing arrangements.

Summary of Operating Results: Net operating income was \$101.3 million in the third quarter of 2023, up from \$77.9 million in the third quarter of 2022, and was \$222.2 million in the first nine months of 2023, down from \$277.5 million in the first nine months of 2022.

Insurance product margin was \$240.0 million in the third quarter of 2023 compared to \$239.1 million in the third quarter of 2022, and was \$684.4 million in the first nine months of 2023 compared to \$702.0 million in the first nine months of 2022. Insurance product margins in the first nine months of 2023 were impacted by: (i) both unfavorable claim experience in our Medicare supplement line of business as well as a reduction in the size of the block; and (ii) unfavorable claim experience in our long-term care line of business. The claim experience in our Medicare supplement business returned to expected levels in the third quarter of 2023 as compared to the first six months of 2023. The claim experience in our long-term care business moderated in the third quarter of 2023, particularly as compared to the unfavorable experience in the second quarter of 2023. In addition, the traditional life margin was favorably impacted in the second quarter of 2022 due to a larger than typical reduction in claim liabilities due to the work down of a backlog of claims that were in-the-course-of-settlement. Such claim payments also had a positive impact (of approximately \$10 million) on the change in the liability for future policy benefits as calculated under the new LDTI standard.

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Total allocated and unallocated expenses are summarized in the table below. Expenses not allocated to product lines in the 2023 periods reflect significant items related to the net favorable impact of legal recoveries, net of expenses and increased legal accruals. Expenses not allocated to product lines in the first nine months of 2022 include the impact of a significant item related to an experience refund pursuant to the terms of a reinsurance agreement. Total allocated and unallocated expenses as adjusted for the significant item are summarized below (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Expenses allocated to product lines	\$ 153.2	\$ 150.5	\$ 460.2	\$ 447.5
Expenses not allocated to product lines	(7.5)	16.1	31.9	28.0
Net favorable impact from legal matters	21.7	—	21.7	—
Experience refund related to a reinsurance agreement ^(a)	—	—	—	22.5
Adjusted total	<u>\$ 167.4</u>	<u>\$ 166.6</u>	<u>\$ 513.8</u>	<u>\$ 498.0</u>

(a) Under the terms of the reinsurance agreement to cede a substantial portion of our legacy long-term care block, we were entitled to receive an experience refund of up to \$22.5 million if certain rate increases were approved and implemented. As of June 30, 2022, all requirements to earn the maximum experience refund had been met and the refund was recognized. The refund was received in the second quarter of 2023.

Though expenses were elevated in the first nine months of 2023, we currently expect our projected expense ratio for the full year to be between 19.2 percent to 19.4 percent, narrowing the range of our previous guidance of between 19.0 percent to 19.4 percent. The expense ratio is defined as total allocated and unallocated expenses (excluding any significant items) divided by the sum of insurance policy income and net investment income allocated to products.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Fee revenue	\$ 27.9	\$ 30.6	\$ 108.6	\$ 102.0
Operating costs and expenses	(30.8)	(29.2)	(95.4)	(87.5)
Net fee income	<u>\$ (2.9)</u>	<u>\$ 1.4</u>	<u>\$ 13.2</u>	<u>\$ 14.5</u>

The decrease in net fee income in the first nine months of 2023 is primarily due to lower net fee income related to services provided by Optavise, partially offset by growth in the sales of third party products in recent periods and changes to our revenue recognition assumptions reflecting favorable policy persistency. The decrease in net fee income in the third quarter of 2023, as compared to the same period in 2022, reflects less favorable changes to our revenue recognition assumptions on the sales of third party products and lower net fee income related to services provided by Optavise.

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.

The effective tax rate for the first nine months of 2023 was 22.7 percent.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Annuity Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Annuity margin:				
Fixed indexed annuities				
Insurance policy income	\$ 5.1	\$ 3.6	\$ 14.2	\$ 10.3
Net investment income	104.4	95.0	304.4	276.5
Insurance policy benefits	(4.3)	(2.0)	(12.6)	(9.7)
Interest credited	(41.5)	(33.0)	(116.8)	(92.9)
Amortization and non-deferred commissions	(16.5)	(14.7)	(47.9)	(42.1)
Margin from fixed indexed annuities	\$ 47.2	\$ 48.9	\$ 141.3	\$ 142.1
Average net insurance liabilities	\$ 9,381.0	\$ 8,902.9	\$ 9,280.2	\$ 8,700.1
Margin/average net insurance liabilities	2.01 %	2.20 %	2.03 %	2.18 %
Fixed interest annuities				
Insurance policy income	\$.3	\$.2	\$.8	\$.6
Net investment income	21.0	20.3	62.8	62.4
Insurance policy benefits	(.1)	.1	(.2)	(.9)
Interest credited	(11.4)	(11.2)	(33.6)	(34.0)
Amortization and non-deferred commissions	(1.4)	(1.2)	(3.6)	(3.5)
Margin from fixed interest annuities	\$ 8.4	\$ 8.2	\$ 26.2	\$ 24.6
Average net insurance liabilities	\$ 1,603.0	\$ 1,675.9	\$ 1,615.7	\$ 1,716.5
Margin/average net insurance liabilities	2.10 %	1.96 %	2.16 %	1.91 %
Other annuities				
Insurance policy income	\$ 1.8	\$ 2.5	\$ 5.4	\$ 6.2
Net investment income	5.6	5.8	16.9	17.5
Insurance policy benefits	(5.4)	(4.6)	(16.3)	(12.2)
Interest credited	(.5)	(.6)	(1.7)	(1.8)
Amortization and non-deferred commissions	(.1)	(.1)	(.4)	(.3)
Margin from other annuities	\$ 1.4	\$ 3.0	\$ 3.9	\$ 9.4
Average net insurance liabilities	\$ 455.6	\$ 478.8	\$ 462.6	\$ 484.4
Margin/average net insurance liabilities	1.23 %	2.51 %	1.12 %	2.59 %
Total annuity margin	\$ 57.0	\$ 60.1	\$ 171.4	\$ 176.1
Average net insurance liabilities	\$ 11,439.6	\$ 11,057.6	\$ 11,358.5	\$ 10,901.0
Margin/average net insurance liabilities	1.99 %	2.17 %	2.01 %	2.15 %

Margin from fixed indexed annuities was \$47.2 million in the third quarter of 2023 compared to \$48.9 million in the third quarter of 2022, and was \$141.3 million in the first nine months of 2023 compared to \$142.1 million in the first nine months of 2022. The margins in 2023 are relatively flat, as compared to the same periods in the prior year, as growth in the block is primarily being offset by spread compression driven by increased surrenders of higher spread products. Average net insurance liabilities (policyholder account balances 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 \$9,381.0 million and \$8,902.9 million in the third quarters of 2023 and 2022, respectively, and were \$9,280.2 million and \$8,700.1 million in the first nine months of 2023 and 2022, respectively, driven by deposits and reinvested returns in excess of withdrawals. The increase in net insurance liabilities results in higher net investment income allocated. The earned yield was 4.45 percent in the third quarter of 2023 up from 4.27 percent in the third quarter of 2022, and was 4.37 percent in the first nine months of 2023 up from 4.24 percent in the first nine months of 2022, reflecting higher portfolio yields.

Net investment income and interest credited exclude the change in market values of the underlying options supporting the fixed indexed annuity products and corresponding offsetting amount credited to policyholder account balances. Such amounts were \$(49.8) million and \$(30.9) million in the third quarters of 2023 and 2022, respectively, and were \$22.8 million and \$(175.3) million in the first nine months of 2023 and 2022, respectively.

Margin from fixed interest annuities was \$8.4 million in the third quarter of 2023 compared to \$8.2 million in the third quarter of 2022, and was \$26.2 million in the first nine months of 2023 compared to \$24.6 million in the first nine months of 2022, driven primarily by higher spreads, partially offset by a reduction in the size of the block. Average net insurance liabilities were \$1,603.0 million in the third quarter of 2023 compared to \$1,675.9 million in the third quarter of 2022, and were \$1,615.7 million in the first nine months of 2023 compared to \$1,716.5 million in the first nine months of 2022, driven by withdrawals in excess of deposits and reinvested returns. The decrease in net insurance liabilities results in lower net investment income allocated, however, the earned yield increased to 5.24 percent in the third quarter of 2023 from 4.85 percent in the third quarter of 2022, and to 5.18 percent in the first nine months of 2023 from 4.85 percent in the first nine months of 2022, reflecting higher portfolio yields.

Margin from other annuities was \$1.4 million in the third quarter of 2023 compared to \$3.0 million in the third quarter of 2022, and was \$3.9 million in the first nine months of 2023 compared to \$9.4 million in the first nine months of 2022. 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 lower in the 2023 periods compared to the same periods in 2022.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Health Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Health margin:				
Supplemental health				
Insurance policy income	\$ 177.9	\$ 173.5	\$ 533.1	\$ 519.0
Net investment income	39.0	37.7	116.5	112.7
Insurance policy benefits	(128.0)	(125.8)	(385.1)	(383.2)
Amortization and non-deferred commissions	(26.1)	(26.9)	(78.5)	(77.9)
Margin from supplemental health	<u>\$ 62.8</u>	<u>\$ 58.5</u>	<u>\$ 186.0</u>	<u>\$ 170.6</u>
Margin/insurance policy income	<u>35 %</u>	<u>34 %</u>	<u>35 %</u>	<u>33 %</u>
Medicare supplement				
Insurance policy income	\$ 154.2	\$ 163.6	\$ 466.0	\$ 495.5
Net investment income	1.1	1.4	3.6	4.1
Insurance policy benefits	(107.4)	(113.9)	(341.3)	(348.5)
Amortization and non-deferred commissions	(10.7)	(12.4)	(32.7)	(38.0)
Margin from Medicare supplement	<u>\$ 37.2</u>	<u>\$ 38.7</u>	<u>\$ 95.6</u>	<u>\$ 113.1</u>
Margin/insurance policy income	<u>24 %</u>	<u>24 %</u>	<u>21 %</u>	<u>23 %</u>
Long-term care				
Insurance policy income	\$ 65.7	\$ 66.4	\$ 197.2	\$ 199.2
Net investment income	34.1	34.2	102.4	102.8
Insurance policy benefits	(73.1)	(71.1)	(222.9)	(212.1)
Amortization and non-deferred commissions	(3.5)	(3.4)	(10.4)	(9.6)
Margin from long-term care	<u>\$ 23.2</u>	<u>\$ 26.1</u>	<u>\$ 66.3</u>	<u>\$ 80.3</u>
Margin/insurance policy income	<u>35 %</u>	<u>39 %</u>	<u>34 %</u>	<u>40 %</u>
Total health margin	<u>\$ 123.2</u>	<u>\$ 123.3</u>	<u>\$ 347.9</u>	<u>\$ 364.0</u>
Margin/insurance policy income	<u>31 %</u>	<u>31 %</u>	<u>29 %</u>	<u>30 %</u>

Margin from supplemental health business was \$62.8 million in the third quarter of 2023 compared to \$58.5 million in the third quarter of 2022, and was \$186.0 million in the first nine months of 2023 compared to \$170.6 million in the first nine months of 2022, reflecting growth in the block. The margin as a percentage of insurance policy income was 35 percent in the third quarter of 2023 compared to 34 percent in the prior year period, and was 35 percent in the first nine months of 2023 compared to 33 percent in the first nine months of 2022.

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 \$37.2 million and \$38.7 million in the third quarters of 2023 and 2022, respectively, and \$95.6 million and \$113.1 million in the first nine months of 2023 and 2022, respectively. The decrease in margin on the Medicare supplement business is primarily due to a reduction in the size of the block and unfavorable claims experience (although claim experience returned to expected levels in the third quarter of 2023 as compared to the first six months of 2023). Claim experience will fluctuate from period to period. Insurance policy income was \$154.2 million in the third quarter of 2023, down 5.7 percent from the third quarter of 2022, and was \$466.0 million the first nine months of 2023 down 6.0 percent from the first nine months of 2022, reflecting lower sales in recent periods partially offset by premium rate increases. Over the last several years, 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. For example, we launched a new competitive Medicare supplement product in 2022.

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 \$23.2 million and \$26.1 million in the third quarters of 2023 and 2022, respectively, and \$66.3 million and \$80.3 million in the first nine months of 2023 and 2022, respectively. The margin as a percentage of insurance policy income was 35 percent in the third quarter of 2023 compared to 39 percent in the third quarter of 2022, and was 34 percent in the first nine months of 2023 compared to 40 percent in the first nine months of 2022. The decrease in margins in the 2023 periods is primarily due to unfavorable claims experience as compared to the prior year periods. However, the claims experience in this block moderated in the third quarter of 2023 as we expected, particularly as compared to the unfavorable experience in the second quarter of 2023. Claim experience will fluctuate from quarter to quarter.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Margin from Life Products (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Life margin:				
Interest-sensitive life				
Insurance policy income	\$ 45.1	\$ 43.5	\$ 134.9	\$ 130.4
Net investment income	12.9	12.9	38.7	38.7
Insurance policy benefits	(18.1)	(20.5)	(53.4)	(57.5)
Interest credited	(11.9)	(12.4)	(35.9)	(35.8)
Amortization and non-deferred commissions	(5.1)	(5.9)	(14.5)	(17.5)
Margin from interest-sensitive life	\$ 22.9	\$ 17.6	\$ 69.8	\$ 58.3
Average net insurance liabilities	\$ 1,039.6	\$ 1,019.2	\$ 1,035.7	\$ 1,015.0
Interest margin	\$ 1.0	\$.5	\$ 2.8	\$ 2.9
Interest margin/average net insurance liabilities	.38 %	.20 %	.36 %	.38 %
Underwriting margin	\$ 21.9	\$ 17.1	\$ 67.0	\$ 55.4
Underwriting margin/insurance policy income	49 %	39 %	50 %	42 %
Traditional life				
Insurance policy income	\$ 175.9	\$ 169.9	\$ 528.2	\$ 512.6
Net investment income	23.4	22.5	70.0	67.4
Insurance policy benefits	(122.6)	(118.2)	(377.3)	(362.0)
Interest credited	(.2)	(.2)	(.5)	(.5)
Amortization and non-deferred commissions	(17.0)	(13.8)	(48.3)	(39.9)
Advertising expense	(22.6)	(22.1)	(76.8)	(74.0)
Margin from traditional life	\$ 36.9	\$ 38.1	\$ 95.3	\$ 103.6
Margin/insurance policy income	21 %	22 %	18 %	20 %
Margin excluding advertising expense/insurance policy income	34 %	35 %	33 %	35 %
Total life margin	\$ 59.8	\$ 55.7	\$ 165.1	\$ 161.9

Margin from interest-sensitive life business was \$22.9 million in the third quarter of 2023, up 30 percent from the third quarter of 2022, and was \$69.8 million in the first nine months of 2023, up 20 percent from the first nine months of 2022, reflecting favorable mortality, as compared to the 2022 periods, and growth in the block due to sales in recent periods.

The interest margin was \$1.0 million and \$0.5 million in the third quarters of 2023 and 2022, respectively, and was \$2.8 million and \$2.9 million in the first nine months of 2023 and 2022, respectively. Net investment income in the 2023 periods was comparable to the 2022 periods. The increase in average net insurance liabilities results in higher net investment income allocated, which is offset by lower earned yields. The earned yield was 4.96 percent and 5.06 percent in the third quarters of 2023 and 2022, respectively, and was 4.98 percent and 5.08 percent in the first nine months of 2023 and 2022, respectively. The decrease in earned yields is due to the sale or maturity of higher yielding investments. 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 indexed life products and corresponding offsetting amount credited to policyholder account balances. Such amounts were \$(4.8) million and \$(4.0) million in the third quarters of 2023 and 2022, respectively, and were \$3.5 million and \$(23.9) million in the first nine months of 2023 and 2022, respectively.

Margin from traditional life business was \$36.9 million and \$38.1 million in the third quarters of 2023 and 2022, respectively, and was \$95.3 million and \$103.6 million in the first nine months of 2023 and 2022, respectively. In the second

quarter of 2022, there was a larger than typical reduction in traditional life claim liabilities due to the work down of a backlog of claims that were in-the-course-of-settlement. The claim payments also had a favorable impact (of approximately \$10 million) on the change in the liability for future policy benefits, as calculated under the new LDTI standard, which is the primary driver of the decrease in the traditional life margin in the first nine months of 2023 as compared to the same period in 2022.

Allocated net investment income was higher in the 2023 periods, as compared to the 2022 periods, primarily due to growth in the block and higher investment yields. The earned yield was 4.72 percent and 4.63 percent in the third quarters of 2023 and 2022, respectively, and was 4.72 percent and 4.61 percent in the first nine months of 2023 and 2022, respectively.

Advertising expense was \$22.6 million in the third quarter of 2023, up 2.3 percent from the comparable period in 2022, and was \$76.8 million in the first nine months of 2023, up 3.8 percent from the comparable period in 2022. 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 the current economics of the purchase or other factors.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Collected premiums from annuity and interest-sensitive life products:				
Annuities	\$ 372.2	\$ 370.0	\$ 1,144.9	\$ 1,173.6
Interest-sensitive life	58.3	56.6	176.8	169.8
Total collected premiums from annuity and interest-sensitive life products	<u>\$ 430.5</u>	<u>\$ 426.6</u>	<u>\$ 1,321.7</u>	<u>\$ 1,343.4</u>

Collected premiums from annuity and interest-sensitive products increased 0.9 percent in the third quarter of 2023 compared to the third quarter of 2022, and decreased 1.6 percent in the first nine months of 2023 compared to the first nine months of 2022. Premium collections from fixed indexed annuities decreased 7.0 percent to \$321.8 million in the third quarter of 2023 compared to the same period of 2022, and 10 percent to \$996.7 million in the first nine months of 2023 compared to the first nine months of 2022. Premium collections from fixed interest annuities increased 117 percent to \$48.9 million in the third quarter of 2023 compared to the same period in 2022, and 157 percent to \$141.6 million in the first nine months of 2023 compared to the first nine months of 2022, resulting from increased consumer preference for these products in the current interest rate environment.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net investment income	\$ 291.8	\$ 268.1	\$ 1,034.5	\$ 700.2
Allocated to product lines:				
Annuity	(131.0)	(121.1)	(384.1)	(356.4)
Health	(74.2)	(73.3)	(222.5)	(219.6)
Life	(36.3)	(35.4)	(108.7)	(106.1)
Equity returns credited to policyholder account balances	54.6	34.9	(26.3)	199.2
Amounts allocated to product lines and credited to policyholder account balances	(186.9)	(194.9)	(741.6)	(482.9)
Impact of annual option forfeitures related to fixed indexed annuity surrenders	2.5	(1.1)	3.9	—
Amount related to variable interest entities and other non-operating items	(18.7)	(13.6)	(58.6)	(29.9)
Interest expense on debt	(15.7)	(15.6)	(47.0)	(46.9)
Interest expense on financing arrangements	(1.1)	—	(1.1)	—
Interest expense on investment borrowings from FHLB	(28.3)	(10.3)	(74.2)	(17.4)
Expenses related to FABN program	(7.6)	(7.5)	(22.8)	(22.4)
Less amounts credited to deferred compensation plans (offsetting investment income)	2.4	2.0	(11.2)	18.0
Total adjustments	(66.5)	(46.1)	(211.0)	(98.6)
Investment income not allocated to product lines	\$ 38.4	\$ 27.1	\$ 81.9	\$ 118.7

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:

The following summarizes our net non-operating income (loss) for the three and nine months ending September 30, 2023 and 2022 (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net realized investment losses from sales and change in allowance for credit losses	\$ (20.1)	\$ (.7)	\$ (64.1)	\$ (35.0)
Net change in market value of investments recognized in earnings	(9.2)	(17.0)	(15.1)	(64.2)
Fair value changes related to agent deferred compensation plan	6.8	12.0	6.8	48.7
Changes in fair value of embedded derivative liabilities and market risk benefits	109.4	130.6	94.7	456.6
Other	(1.1)	2.0	1.0	2.2
Net non-operating income before taxes	\$ 85.8	\$ 126.9	\$ 23.3	\$ 408.3

Net realized investment losses in the three and nine months ended September 30, 2023, were \$20.1 million and \$64.1 million, respectively, including the unfavorable change in the allowance for credit losses of \$2.3 million and \$13.7 million, respectively, which was recorded in earnings. Net realized investment losses in the three and nine months ended September 30, 2022, were \$0.7 million and \$35.0 million, respectively, including the favorable (unfavorable) change in the allowance for credit losses of \$7.5 million and \$(46.9) million, respectively, which was recorded in earnings.

The change in market value of investments recognized in earnings was a decrease of \$9.2 million and \$17.0 million in the third quarters of 2023 and 2022, respectively, and \$15.1 million and \$64.2 million in the first nine months of 2023 and 2022, respectively. The change in value will fluctuate from period to period based on market conditions.

During the first nine months of 2023 and 2022, we recognized an increase in earnings of \$6.8 million and \$48.7 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.

We recognized an increase in earnings of \$94.7 million and \$456.6 million in the first nine months of 2023 and 2022, respectively, resulting from changes in the fair value of embedded derivative liabilities and MRBs related to our fixed indexed annuities. Such amounts include the impacts of changes in market interest rates and equity impacts used to determine the estimated fair values of the embedded derivatives and MRBs.

Other non-operating items primarily 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

2023 Outlook

Prior to the sharp rise in interest rates in the United States in 2022, interest rates had been at or near historically low levels. We expect that a continued level of higher interest rates will benefit our operating results over time. We continuously monitor current market conditions and the impact to our business from potential changes in overall economic growth. We are also subject to financial impacts associated with changes in the equity markets and the credit cycle.

Subsequent to September 30, 2023, we received all necessary approvals for: (i) the formation of a wholly-owned Bermuda captive reinsurance company; and (ii) a reinsurance agreement to cede approximately \$6.2 billion of our inforce fixed indexed annuity statutory reserves, in addition to new fixed indexed annuity business. Implementation of the initial intercompany reinsurance agreement is in process, with an effective date of October 1, 2023. In the event that the Bermuda Monetary Authority changes its capital adequacy model of the Bermuda captive reinsurance company, we may be required to contribute additional capital to the captive, which would reduce the capital efficiency of the structure and may adversely impact the free cash flow available to the holding company.

For 2023, we currently expect operating earnings per diluted share to be in the range of \$2.70 to \$2.80, excluding any significant items in the year (narrowing the range from our previous guidance of \$2.65 to \$2.85 per diluted share, with no change to the midpoint of the range).

With respect to excess cash flow in 2023, we currently expect cash flow to the holding company to be in the range of \$330 million to \$350 million (including the impact of the intercompany reinsurance agreement with our Bermuda subsidiary), as compared to our previous guidance of \$180 million to \$200 million.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

Our capital structure as of September 30, 2023 and December 31, 2022 was as follows (dollars in millions):

	September 30, 2023	December 31, 2022
Total capital:		
Corporate notes payable	\$ 1,140.1	\$ 1,138.8
Shareholders' equity:		
Common stock	1.1	1.1
Additional paid-in capital	1,965.3	2,033.8
Accumulated other comprehensive loss	(1,956.7)	(1,957.3)
Retained earnings	1,880.4	1,691.2
Total shareholders' equity	1,890.1	1,768.8
Total capital	\$ 3,030.2	\$ 2,907.6

The following table summarizes certain financial ratios as of and for the nine months ended September 30, 2023 and as of and for the year ended December 31, 2022:

	September 30, 2023	December 31, 2022
Book value per common share	\$ 16.85	\$ 15.47
Book value per common share, excluding accumulated other comprehensive income (loss) (a)	34.30	32.59
Debt to total capital ratios:		
Corporate debt to total capital	37.6 %	39.2 %
Corporate debt to total capital, excluding accumulated other comprehensive income (loss) (a) (b)	22.9 %	23.4 %

- (a) This non-GAAP measure differs from the corresponding GAAP measure presented immediately above, because accumulated other comprehensive income (loss) 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 (loss). 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.
- (b) Our targeted ratio is in the range of 25.0 percent to 28.0 percent.

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 September 30, 2023, the carrying value of the FHLB common stock was \$90.1 million. As of September 30, 2023, collateralized borrowings from the FHLB totaled \$2.1 billion and the proceeds were used to purchase matched variable rate 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 \$2.5 billion at September 30, 2023, which are maintained in custodial accounts for the benefit of the FHLB.

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

Our estimated consolidated statutory RBC ratio was 392 percent at September 30, 2023, compared to 384 percent at December 31, 2022. In the first nine months of 2023, the RBC ratio reflected: (i) our estimated consolidated statutory operating earnings of \$113 million; (ii) insurance company dividends (net of capital contributions) of \$58.7 million that were paid to the holding company; and (iii) the impact of a sale-leaseback program as further discussed below. Our RBC ratio at September 30, 2023, exceeded our targeted RBC ratio of 375 percent and the minimum 350 percent that is reflected in our risk appetite statement that we share and discuss with rating agencies and insurance regulators. We believe that the 375 percent RBC ratio target continues to adequately support our financial strength and credit ratings.

In June 2023, we began a sale-leaseback program resulting in an \$80 million reduction in non-admitted assets and a corresponding increase in total adjusted capital which favorably impacted our consolidated RBC ratio. Such sale-leaseback transactions are accounted for as operating leases pursuant to statutory accounting principles. Pursuant to GAAP, the sale-leaseback transactions do not meet the criteria for a sale. Accordingly, we account for these transactions as financing arrangements which are classified as other liabilities in our consolidated balance sheet.

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.

S&P most recently reviewed its "A-" financial strength ratings of our primary insurance subsidiaries on June 23, 2023. 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.

Moody's most recently reviewed its "A3" financial strength ratings of our primary insurance subsidiaries on May 12, 2023. 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 suggest 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 February 1, 2023, AM Best affirmed its "A" financial strength ratings of our primary insurance subsidiaries 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. 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 November 21, 2022, Fitch affirmed its "A-" financial strength ratings of our primary insurance subsidiaries and revised the outlook for these ratings to positive from 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.

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 their rating models for maintenance of certain ratings levels. We cannot predict what actions rating agencies may take, or what actions we may take in response. Accordingly, downgrades and outlook revisions related to us or the life insurance industry may occur in the future at any time and without notice by any rating agency. These could increase policy surrenders and withdrawals, adversely affect relationships with our distribution channels, reduce new sales, reduce our ability to borrow and increase our future borrowing costs.

Liquidity of the Holding Companies

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

At September 30, 2023, 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 \$171 million of unrestricted cash and cash equivalents which was above our minimum target level of \$150 million.

CNO and CDOC are holding companies with no business operations of their own; they depend on their operating subsidiaries for cash to make principal and interest payments on debt, and to pay administrative expenses and income taxes. CNO and CDOC receive cash from insurance subsidiaries, consisting of dividends and distributions, interest payments on surplus debentures and tax-sharing payments, as well as cash from non-insurance subsidiaries consisting of dividends, distributions, loans and advances. The principal non-insurance subsidiaries that provide cash to CNO and CDOC are 40|86 Advisors, Inc., which receives fees from the insurance subsidiaries for investment services, and CNO Services, LLC which receives fees from the insurance subsidiaries for providing administrative services. The agreements between our insurance subsidiaries and CNO Services, LLC and 40|86 Advisors, Inc., respectively, were previously approved by the domestic insurance regulator for each insurance company, and any payments thereunder do not require further regulatory approval.

The ability of our insurance subsidiaries to pay dividends is subject to state insurance department regulations and is based on the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by regulatory authorities, which differ from GAAP. These regulations generally permit dividends to be paid from statutory earned surplus of the insurance company without regulatory approval for any 12-month period in amounts equal to the greater of (or in some states, the lesser of): (i) statutory net gain from operations or net income for the prior year; or (ii) 10 percent of statutory capital and surplus as of the end of the preceding year. However, as each of the immediate insurance subsidiaries of CDOC has significant negative earned surplus, any dividend payments from the insurance subsidiaries require the prior approval of the director or commissioner of the applicable state insurance department. In the first nine months of 2023, our insurance subsidiaries paid dividends to CDOC totaling \$82.2 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 Department of Insurance). The estimated RBC ratio of CLTX was 336 percent at September 30, 2023. 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 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 September 30, 2023, the subsidiaries of CLTX had earned surplus (deficit) as summarized below (dollars in millions):

Subsidiaries of CLTX	Earned surplus (deficit)	Additional information
Bankers Life	\$ 375.9	(a)
Colonial Penn	(507.5)	(b)

- (a) Bankers Life paid dividends of \$55.0 million to CLTX in the first nine months of 2023. Bankers Life may pay dividends from earned surplus 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. Immediately after the implementation of the reinsurance transaction with our wholly owned Bermuda reinsurance subsidiary (see " – 2023 Outlook" above), the earned surplus of Bankers Life will be zero. Accordingly, Bankers Life will not be able to pay dividends until future earnings result in an earned surplus balance. However, even if the earned surplus balance is zero or in a deficit position, Bankers Life could request approval from the Illinois Department of Insurance for return-of-capital distributions, the payment of which would be subject to prior approval.
- (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. In the first nine months of 2023, CDOC made capital contributions of \$23.5 million to CLTX.

At September 30, 2023, there are no amounts outstanding under our \$250 million Revolving Credit Agreement and there are no scheduled repayments of our direct corporate obligations until May 2025.

Free cash flow is a measure of holding company liquidity and is calculated as: (i) dividends, management fees and surplus debenture interest payments received from our subsidiaries; plus (ii) earnings on corporate investments; less (iii) interest expense, corporate expenses and net tax payments. In the first nine months of 2023, we generated \$139 million of such free cash flow. The Company expects to deploy 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 nine months of 2023, we repurchased 3.6 million shares of common stock for \$85.1 million under our securities repurchase program (including \$0.8 million of repurchases settled in the fourth quarter of 2023). In May 2023, the Company's Board of Directors approved an additional \$500.0 million to repurchase the Company's outstanding shares of common stock. The Company had remaining repurchase authority of \$601.8 million as of September 30, 2023.

In the first nine months of 2023, dividends declared on common stock totaled \$51.0 million (\$0.44 per common share). In May 2023, the Company increased its quarterly common stock dividend to \$0.15 per share from \$0.14 per share.

S&P most recently reviewed its "BBB-" rating on our senior unsecured debt on June 23, 2023. 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 twenty-two 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.

Moody's most recently reviewed its "Baa3" rating on our senior unsecured debt on May 12, 2023. 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 twenty-one 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 February 1, 2023, AM Best affirmed its "bbb" rating on our issuer credit and senior unsecured debt 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 twenty-two 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 November 21, 2022, Fitch affirmed its "BBB-" rating on our senior unsecured debt. Fitch also affirmed CNO's long term issue default rating of "BBB" and revised the outlook for this rating to positive from 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 twenty-one possible ratings ranging from "AAA" to "D". There are nine ratings above CNO's "BBB-" rating and eleven ratings that are below its rating.

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

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

INVESTMENTS

At September 30, 2023, 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	\$ 12,751.9	\$ 10.3	\$ (2,248.1)	\$ (38.4)	\$ 10,475.7
United States Treasury securities and obligations of United States government corporations and agencies	194.2	—	(28.8)	—	165.4
States and political subdivisions	2,837.9	7.0	(547.0)	(1.5)	2,296.4
Foreign governments	93.3	—	(16.6)	(.7)	76.0
Asset-backed securities	1,388.3	.2	(124.1)	(.2)	1,264.2
Agency residential mortgage-backed securities	627.9	.6	(12.6)	—	615.9
Non-agency residential mortgage-backed securities	1,171.3	4.6	(183.2)	—	992.7
Collateralized loan obligations	1,077.7	1.9	(20.1)	—	1,059.5
Commercial mortgage-backed securities	2,462.5	.6	(285.4)	—	2,177.7
Total investment grade fixed maturities, available for sale	22,605.0	25.2	(3,465.9)	(40.8)	19,123.5
Below-investment grade (a) (b):					
Corporate securities	560.2	.4	(49.0)	(28.4)	483.2
States and political subdivisions	10.6	—	(.8)	(.2)	9.6
Asset-backed securities	111.9	—	(16.9)	—	95.0
Non-agency residential mortgage-backed securities	524.5	29.1	(21.1)	—	532.5
Commercial mortgage-backed securities	87.3	—	(25.9)	—	61.4
Total below-investment grade fixed maturities, available for sale	1,294.5	29.5	(113.7)	(28.6)	1,181.7
Total fixed maturities, available for sale	\$ 23,899.5	\$ 54.7	\$ (3,579.6)	\$ (69.4)	\$ 20,305.2

- (a) Investment ratings are assigned the second lowest rating by Nationally Recognized Statistical Rating Organizations ("NRSROs") (Moody's, S&P or Fitch), or if not rated by such firms, the rating assigned by the NAIC. NAIC designations of "1" or "2" include fixed maturities generally rated investment grade (rated "Baa3" or higher by Moody's or rated "BBB-" or higher by S&P and Fitch). NAIC designations of "3" through "6" are referred to as below-investment grade (which generally are rated "Ba1" or lower by Moody's or rated "BB+" or lower by S&P and Fitch). References to investment grade or below-investment grade throughout our consolidated financial statements are determined as described above.
- (b) Certain structured securities rated below-investment grade by NRSROs may be assigned a NAIC 1 or NAIC 2 designation based on the cost basis of the security relative to estimated recoverable amounts as determined by the NAIC. Refer to the table below for a summary of our fixed maturity securities, available for sale, by NAIC designations.

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:

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

A summary of our fixed maturity securities, available for sale, by NAIC designations (or for fixed maturity securities held by non-regulated entities, based on NRSRO ratings) as of September 30, 2023 is as follows (dollars in millions):

NAIC designation	Amortized cost	Estimated fair value	Percentage of total estimated fair value
1	\$ 15,213.8	\$ 13,011.4	64.1 %
2	7,974.8	6,692.0	32.9
Total NAIC 1 and 2 (investment grade)	23,188.6	19,703.4	97.0
3	544.3	469.5	2.3
4	139.5	122.4	.6
5	8.1	7.4	.1
6	19.0	2.5	—
Total NAIC 3, 4, 5 and 6 (below-investment grade)	710.9	601.8	3.0
Total	\$ 23,899.5	\$ 20,305.2	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 September 30, 2023 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
States and political subdivisions	\$ 2,306.0	11.4 %	\$ 547.8	15.3 %
Commercial mortgage-backed securities	2,239.1	11.0	311.3	8.7
Banks	1,705.8	8.4	299.3	8.4
Non-agency residential mortgage-backed securities	1,525.2	7.5	204.3	5.7
Asset-backed securities	1,359.2	6.7	141.0	3.9
Collateralized loan obligations	1,059.5	5.2	20.1	.6
Utilities	1,024.7	5.0	219.8	6.1
Insurance	1,024.6	5.0	256.8	7.2
Healthcare/pharmaceuticals	958.0	4.7	268.1	7.5
Brokerage	899.3	4.4	169.4	4.7
Technology	719.0	3.5	187.9	5.3
Agency residential mortgage-backed securities	615.9	3.0	12.6	.4
Food/beverage	612.0	3.0	115.7	3.2
Energy	478.6	2.4	67.5	1.9
Cable/media	426.5	2.1	101.8	2.8
Real estate/REITs	335.6	1.7	62.4	1.7
Transportation	320.4	1.6	55.4	1.6
Telecom	295.5	1.5	53.1	1.5
Capital goods	254.6	1.3	50.3	1.4
Chemicals	243.1	1.2	55.0	1.5
Other	1,902.6	9.4	380.0	10.6
Total fixed maturities, available for sale	<u>\$ 20,305.2</u>	<u>100.0 %</u>	<u>\$ 3,579.6</u>	<u>100.0 %</u>

Below-Investment Grade Securities

At September 30, 2023, the amortized cost of the Company's below-investment grade fixed maturity securities, available for sale, was \$1,294.5 million, or 5.4 percent of the Company's fixed maturity portfolio (or \$710.9 million, or 3.0 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 \$1,181.7 million, or 91 percent of the amortized cost.

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

Net Realized and Unrealized Investment Losses

During the first nine months of 2023, we recognized \$45.8 million of realized losses on sales of \$527.0 million of fixed maturity securities, available for sale, including: (i) \$37.8 million related to various corporate securities; (ii) \$6.0 million related to commercial mortgage-backed securities; and (iii) \$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 nine months of 2022, we recognized \$81.3 million of realized losses on sales of \$1,321.7 million of fixed maturity securities, available for sale, including: (i) \$54.3 million related to various corporate securities; (ii) \$14.0 million related to non-agency residential mortgage-backed securities; (iii) \$7.3 million related to states and political subdivisions; and (iv) \$5.7 million related to various other investments.

The following summarizes the investments sold at a loss during the first nine months of 2023 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	3	\$ 45.6	\$ 24.0
Greater than or equal to 6 months and less than 12 months prior to sale	1	2.6	.1
Greater than 12 months prior to sale	1	.9	.2
		<u>\$ 49.1</u>	<u>\$ 24.3</u>

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

The following table sets forth the amortized cost and estimated fair value of those fixed maturities, available for sale, with unrealized losses at September 30, 2023, 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	\$ 144.5	\$ 134.3
Due after one year through five years	2,063.0	1,913.0
Due after five years through ten years	1,533.3	1,351.5
Due after ten years	11,962.2	9,344.7
Subtotal	15,703.0	12,743.5
Structured securities	6,663.5	5,974.0
Total	<u>\$ 22,366.5</u>	<u>\$ 18,717.5</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

The following summarizes the investments in our portfolio rated below-investment grade not deemed to have credit losses which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of September 30, 2023 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	10	\$ 43.8	\$ (10.8)	\$ 33.0
Greater than or equal to 6 months and less than 12 months	3	33.7	(12.2)	21.5
Greater than 12 months	5	40.5	(14.7)	25.8
Total		<u>\$ 118.0</u>	<u>\$ (37.7)</u>	<u>\$ 80.3</u>

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 September 30, 2023 (dollars in millions):

	Investment grade		Below-investment grade		Total gross unrealized losses
	AAA/AA/A	BBB	BB	B+ and below	
States and political subdivisions	\$ 534.8	\$ 12.2	\$ —	\$.8	\$ 547.8
Commercial mortgage-backed securities	235.4	50.0	23.5	2.4	311.3
Banks	167.9	128.1	3.3	—	299.3
Healthcare/pharmaceuticals	177.6	86.6	2.9	1.0	268.1
Insurance	127.9	125.0	3.5	.4	256.8
Utilities	126.3	91.3	2.1	.1	219.8
Non-agency residential mortgage-backed securities	121.9	61.3	1.1	20.0	204.3
Technology	110.1	72.0	5.6	.2	187.9
Brokerage	91.2	76.1	1.6	.5	169.4
Asset-backed securities	53.9	70.2	16.2	.7	141.0
Food/beverage	36.8	77.2	1.3	.4	115.7
Cable/media	15.5	79.4	4.1	2.8	101.8
Energy	13.8	53.5	.2	—	67.5
Real estate/REITs	35.1	26.6	.7	—	62.4
Transportation	21.4	33.7	—	.3	55.4
Chemicals	4.8	48.9	.8	.5	55.0
Telecom	.5	52.6	—	—	53.1
Capital goods	23.1	24.0	3.2	—	50.3
Consumer products	25.3	14.8	3.6	1.0	44.7
Retail	23.8	17.3	1.7	1.7	44.5
Autos	5.9	23.7	1.5	—	31.1
Aerospace/defense	8.6	21.5	—	.1	30.2
Building materials	5.9	23.1	.4	.2	29.6
United States Treasury securities and obligations of United States government corporations and agencies	28.8	—	—	—	28.8
Metals and mining	8.7	13.5	.7	—	22.9
Collateralized loan obligations	18.4	1.7	—	—	20.1
Paper	.8	17.1	.1	.3	18.3
Foreign governments	7.3	9.3	—	—	16.6
Entertainment/hotels	8.2	4.5	.6	—	13.3
Agency residential mortgage-backed securities	12.3	.3	—	—	12.6
Business services	—	2.6	.7	.2	3.5
Other	86.8	9.0	.6	.1	96.5
Total fixed maturities, available for sale	<u>\$ 2,138.8</u>	<u>\$ 1,327.1</u>	<u>\$ 80.0</u>	<u>\$ 33.7</u>	<u>\$ 3,579.6</u>

Our investment strategy is to maximize, over a sustained period and within acceptable parameters of quality and risk, investment income and total investment return through active strategic asset allocation and investment management. Accordingly, we may sell securities at a gain or a loss to enhance the projected total return of the portfolio as market

opportunities change, to reflect changing perceptions of risk, or to better match certain characteristics of our investment portfolio with the corresponding characteristics of our insurance liabilities.

Structured Securities

At September 30, 2023, fixed maturity investments included structured securities with an estimated fair value of \$6.8 billion (or 33.5 percent of all fixed maturity securities). The yield characteristics of structured securities generally differ in some respects from those of traditional corporate fixed-income securities or government securities. For example, interest and principal payments on structured securities may occur more frequently, often monthly. In many instances, we are subject to variability in the amount and timing of principal and interest payments. For example, in many cases, partial prepayments may occur at the option of the issuer and prepayment rates are influenced by a number of factors that cannot be predicted with certainty, including: the relative sensitivity of prepayments on the underlying assets backing the security to changes in interest rates and asset values; the availability of alternative financing; a variety of economic, geographic and other factors; the timing, pace and proceeds of liquidations of defaulted collateral; and various security-specific structural considerations (for example, the repayment priority of a given security in a securitization structure). In addition, the total amount of payments for non-agency structured securities may be affected by changes to cumulative default rates or loss severities of the related collateral.

The amortized cost and estimated fair value of structured securities at September 30, 2023, 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	\$ 1,500.2	\$ 1,359.2	6.7 %
Agency residential mortgage-backed securities	627.9	615.9	3.1
Non-agency residential mortgage-backed securities	1,695.8	1,525.2	7.5
Collateralized loan obligations	1,077.7	1,059.5	5.2
Commercial mortgage-backed securities	2,549.8	2,239.1	11.0
Total structured securities	\$ 7,451.4	\$ 6,798.9	33.5 %

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.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

INVESTMENTS IN VARIABLE INTEREST ENTITIES

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues:				
Net investment income – policyholder and other special-purpose portfolios	\$ 21.3	\$ 16.0	\$ 65.7	\$ 39.6
Fee revenue and other income	1.0	1.4	3.5	3.9
Total revenues	22.3	17.4	69.2	43.5
Expenses:				
Interest expense	17.5	11.7	52.6	24.9
Other operating expenses	.3	.2	1.4	1.3
Total expenses	17.8	11.9	54.0	26.2
Income before net investment gains (losses) and income taxes	4.5	5.5	15.2	17.3
Net investment gains (losses)	(.2)	3.5	(4.2)	(6.7)
Income before income taxes	\$ 4.3	\$ 9.0	\$ 11.0	\$ 10.6

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

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 September 30, 2023 (dollars in millions):

	Carrying value	Percent of fixed maturities	Gross unrealized losses	Percent of gross unrealized losses
Cable/media	\$ 111.3	13.0 %	\$ 4.2	19.7 %
Healthcare/pharmaceuticals	105.1	12.2	3.7	17.3
Technology	104.5	12.2	5.2	24.4
Food/beverage	57.8	6.7	1.7	7.7
Brokerage	51.3	6.0	.4	1.6
Chemicals	45.1	5.3	.3	1.5
Building materials	44.8	5.2	.5	2.2
Transportation	41.2	4.8	.3	1.3
Paper	37.7	4.4	.3	1.4
Utilities	36.4	4.2	.3	1.4
Capital goods	34.8	4.1	.6	2.9
Consumer products	29.1	3.4	.9	4.0
Autos	28.1	3.3	.1	.3
Insurance	26.4	3.1	.1	.5
Business services	26.1	3.0	.3	1.3
Banks	16.6	1.9	.1	.3
Aerospace/defense	11.9	1.4	.1	.6
Other	49.9	5.8	2.4	11.6
Total	<u>\$ 858.1</u>	<u>100.0 %</u>	<u>\$ 21.5</u>	<u>100.0 %</u>

The following table sets forth the amortized cost and estimated fair value of those investments held by the VIEs with unrealized losses at September 30, 2023, by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized cost	Estimated fair value
(Dollars in millions)		
Due in one year or less	\$ 4.2	\$ 3.4
Due after one year through five years	583.7	562.3
Due after five years through ten years	79.3	77.1
Total	<u>\$ 667.2</u>	<u>\$ 642.8</u>

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES

The following summarizes the investments held by the VIEs sold at a loss during the first nine months of 2023 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	3	\$ 3.7	\$ 2.6
Greater than or equal to 6 months and less than 12 months prior to sale	2	4.9	1.8
Greater than 12 months prior to sale	1	3.5	1.0
		<u>\$ 12.1</u>	<u>\$ 5.4</u>

The following summarizes the investments held by the VIEs rated below-investment grade not deemed to have credit losses which have been continuously in an unrealized loss position exceeding 20 percent of the cost basis for the period indicated as of September 30, 2023 (dollars in millions):

	Number of issuers	Cost basis	Unrealized loss	Estimated fair value
Less than 6 months	1	\$ 4.3	\$ (1.3)	\$ 3.0
Greater than or equal to 6 months and less than 12 months	1	2.7	(1.1)	1.6
Greater than 12 months	1	1.9	(.4)	1.5
Total		<u>\$ 8.9</u>	<u>\$ (2.8)</u>	<u>\$ 6.1</u>

NEW ACCOUNTING STANDARDS

See "Recently Adopted Accounting Standards" in the notes to consolidated financial statements for a discussion of recently adopted 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, 2022. There have been no material changes in the first nine months of 2023 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, (the "Exchange Act")). Based on its evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, 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 Exchange Act 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 Exchange Act) during the three months ended September 30, 2023, 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, 2022, 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 2023)	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)		
July 1 through July 31	845,817	\$ 24.61	845,256	\$ 621.0
August 1 through August 31	478,037	24.12	475,563	609.5
September 1 through September 30	324,918	23.67	324,854	601.8
Total	<u>1,648,772</u>	<u>24.28</u>	<u>1,645,673</u>	<u>601.8</u>

- (a) The Company's Board of Directors has authorized additional repurchases from time to time, most recently in May 2023 when it authorized the repurchase of an additional \$500.0 million of the Company's outstanding shares of common stock.

ITEM 5. OTHER INFORMATION.

During the third quarter of 2023, certain officers (as defined in Rule 16a-1(f) of the Exchange Act) (the "Section 16 officers") of the Company adopted separate Rule 10b5-1 trading arrangements (as defined in Item 408(a) of Regulation S-K) for the sale of the Company's common stock. The following summarizes the material terms of such Rule 10b5-1 trading arrangements:

Name and title of officer	Date of trading arrangement	Duration of trading arrangement (a)	Aggregate shares of common stock to be sold pursuant to the trading arrangement
John R. Kline	August 17, 2023	March 29, 2024	21,642
– Senior Vice President and Chief Accounting Officer			
Jeanne L. Linnenbringer	August 29, 2023	May 28, 2024	4,000
– Chief Operations Officer			

(a) Or such earlier date that the aggregate amount of shares has been sold.

During the third quarter of 2023, no other of the Company's directors or Section 16 officers has adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS.

3.1	<u>Amended and Restated Certificate of Incorporation of CNO Financial Group, Inc., incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed August 1, 2022.</u>
3.2	<u>Amended and Restated Bylaws of CNO Financial Group, Inc., incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 14, 2022.</u>
10.1	<u>CNO Services, LLC Executive Severance Pay Plan, amended and restated effective September 1, 2023.</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: November 8, 2023

By: /s/ John R. Kline

John R. Kline

Senior Vice President and Chief Accounting Officer

(authorized officer and principal accounting officer)

**CNO SERVICES, LLC
EXECUTIVE SEVERANCE PAY PLAN**

Restated Effective as of September 1, 2023

ARTICLE I.

PURPOSE AND TERM OF PLAN

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

1.2. **Term of the Plan.** The Plan was originally effective August 6, 2019 (the "Effective Date"). The Plan is hereby restated effective as of September 1, 2023 or such other effective dates as stated herein. The Plan will continue until Sponsor, acting in its sole discretion, elects to amend, modify, or terminate the Plan.

ARTICLE II. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

2.9. **"Domestic Partner"** means a person of the same sex or opposite sex who meets all of the following criteria:

- (a) is age eighteen (18) or older and legally and mentally competent to enter into a contract;
- (b) shares his or her life with the Employee in a continuous, exclusive, intimate, and committed manner;
- (c) shares a principal residence with the Employee and has shared a principal residence for at least the last twelve (12) months and intends to do so indefinitely;
- (d) is not related to the Employee by blood closer than permitted by state law for marriage;
- (e) is not married to the Employee or to any other person and is not in a domestic partner relationship, a civil union, or similar relationship with anyone else; and
- (f) is financially dependent or interdependent with the Employee and shares with the Employee a mutual obligation of support for the basic necessities of life as evidenced by at least three (3) of the following:
 - (i) common ownership of real property or a common leasehold interest in property;
 - (ii) joint banking account;
 - (iii) joint credit card;
 - (iv) joint ownership of a motor vehicle;
 - (v) designation of one another as primary beneficiary for life insurance or retirement benefits, or primary beneficiary designation under one another's will; and/or
 - (vi) designation of partner under power of attorney.

The Employee will be required to have submitted a *Domestic Partner Verification Form* and additional documentation substantiating the Domestic Partner relationship. The Plan Administrator may require proof of formal recognition of a Domestic Partner relationship. Refusal or failure to provide any documentation necessary to substantiate the relationship will result in a denial of coverage for the Domestic Partner under Section 5.3. In the event the Employee and his or her Domestic Partner no longer satisfy these requirements, the Employee must notify the Plan Administrator, in writing, of such change within thirty (30) days and must complete and submit to the Plan Administrator the required *Statement of Termination of Domestic Partner Relationship*. The Domestic Partner will be liable for costs, fees, and expenses incurred by the Plan Administrator if he or she is determined to be ineligible under Section 5.3.

2.10. "**Employee**" means an individual eligible to participate in the Plan in accordance with Section 3.1.

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

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

2.13. "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

2.14. "**Just Cause**" means

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

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

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

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

(e) Employee's failure to take action or to abstain from taking action, as directed in writing by a member of the Board of Directors of CNO or a higher ranking

Employee of the Sponsor or CNO, where such failure continues after Employee has been given written notice of such failure and at least five (5) business days thereafter to cure such failure; or

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

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

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

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

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

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

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

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

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

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

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

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

2.25. **"Spouse"** means a person of the same or opposite sex legally married to the Employee in any of the fifty (50) States, the District of Columbia, U.S. Territories, and/or in a foreign country, unless: (1) the Employee and his or her Spouse are divorced, or (2) the

Employee and his or her Spouse are legally separated under a decree of divorce or separate maintenance. The term "Spouse" shall not apply to an individual who has entered into a domestic partner relationship, civil union, or other similar formal relationship with an Employee that is not denominated as a marriage if the individual is not otherwise married to the Employee as described in the preceding sentence. "Spouse" does not include a common law spouse.

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

2.27. **"Terminated Employee"** means a former Employee who has experienced an involuntary termination of employment within the meaning of Section 2.12.

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

ARTICLE III. PARTICIPATION AND ELIGIBILITY FOR BENEFITS

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

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

3.2. **General Benefits Award Requirement.** A Terminated Employee shall be eligible to receive a Benefit under the Plan only upon an involuntary termination employment by Employer as provided in Section 2.12.

3.3. **Execution of a Separation Agreement.** In order to be eligible to receive the Benefit under the Plan, the Participant must execute a separation agreement in such form and containing such terms as shall be required by the Plan Administrator from time to time, in its sole and absolute discretion, which terms shall include a waiver and release of claims and non-disclosure and non-solicitation provisions (the "Separation Agreement"). The Separation Agreement will be provided to the Participant within seven (7) days of the Participant's Control Termination Date.

ARTICLE IV.

CALCULATION OF SEVERANCE BENEFIT

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

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

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

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

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

(c) COBRA Benefits. For each Terminated Employee whose Employment Termination Date is on or after November 13, 2019, who elects COBRA continuation

coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") (or elects "COBRA-like" coverage for his or her Domestic Partner and/or eligible children of the Domestic Partner), under one or more of the Employer's medical, dental, vision, On-Site Clinic, EAP, and/or Health Care FSA coverages (collectively, "COBRA Coverages"), the Terminated Employee's Employer will subsidize the cost of the COBRA Coverages for up to eighteen (18) months. The amount of the subsidy paid by the Employer shall be determined based upon the portion of the Employer's premium payment made for active employees immediately prior to the Terminated Employee's Employment Termination Date, and the Terminated Employee's Base Salary in effect immediately prior to the Terminated Employee's Employment Termination Date. Such subsidized payments will be paid directly to the carrier/administrator on a monthly basis in accordance with the Employer's usual schedule for remitting payment. The subsidized COBRA Coverage premium payment will be treated as taxable compensation to the Terminated Employee, and will be subject to all applicable federal, state, local and other taxes, including any gross-up amount to be paid by the Employer for such taxes, in accordance with the Employer's normal payroll schedule and procedures. Subsidy payments as determined above may be changed to be consistent with any changes in plans and/or coverage tiers, as elected by the Terminated Employee, and as allowed by COBRA.

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

(e) Tuition Assistance. Employer shall provide tuition assistance to the Terminated Employee under the terms of the Employer's tuition assistance plan in effect as of the Employee's Severance Date, if the Employee has applied for tuition assistance for an eligible course prior to his or her Severance Date.

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

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

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

4.3. Effect on At-Will Employment Relationship and on Other Benefits. Neither the Plan, nor any of its provisions, alters the at-will employment relationship between Employee

and Employer. In addition, there shall not be drawn from the continued provision by Employer of any Benefit hereunder any implication of continued employment or of any continued right to accrue vacation days, paid holidays, paid sick days or other similar benefits normally associated with employment for any part of the period during or in respect of which a Benefit is payable under the Plan.

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

ARTICLE V.

METHOD AND DURATION OF BENEFIT PAYMENTS

5.1. Method of Payment. Except as otherwise provided in Article IV, a Participant's Benefits shall be paid in the form of a single lump sum payment as soon as practicable after both (a) the Participant's Employment Termination Date and (b) the date the Separation Agreement referenced in Section 3.3 becomes effective (as described below), but in no event beyond thirty (30) days from the later of such date. Notwithstanding the foregoing, if any such Benefits constitute deferred compensation under Code Section 409A and could be paid in either of two calendar years, such Benefits shall be paid in the later calendar year; provided further that, if the Terminated Employee is deemed on the Employee's Employment Termination Date to be a "specified employee" within the meaning of Section 409A(a)(2)(B) of the Code, any such Benefits that constitute deferred compensation under Code Section 409A and would otherwise be payable prior to the earlier of (i) the 6-month anniversary of the Employee's Employment Termination Date and (ii) the date of the Employee's death (the "Delay Period") shall instead be paid in a lump sum immediately upon (and not before) the expiration of the Delay Period. For purposes herein, a Participant's Separation Agreement shall not become effective unless and until the Participant timely executes the Separation Agreement on or before the date set forth in such agreement (which cannot exceed ninety (90) days from the Participant's Termination Date) and does not subsequently timely revoke the Separation Agreement as required to be permitted under applicable law.

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

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

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

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

ARTICLE VI.

THE PLAN ADMINISTRATOR

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

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

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

ARTICLE VII.

AMENDMENT AND TERMINATION

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

The Manager shall have the right to delegate its authority and power hereunder, or any portion thereof, to any committee of the Manager, and the right to rescind any such delegation in whole or in part.

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

ARTICLE VIII.

DUTIES OF EMPLOYER

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

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

ARTICLE IX.

CLAIMS PROCEDURES

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

9.2. **Claims for Benefits.** In the event of a claim by an Employee concerning eligibility for Benefits hereunder or the amount of any distribution or its method of payment, such Employee shall present the reason for his or her claim in writing to a Human Resources Officer of the Plan Administrator together with all supporting materials. The Plan Administrator shall, within sixty (60) days after receipt of such written claim, send a written notification to the Employee as to its disposition by certified mail. In the event the claim is wholly or partially denied, such written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Employee to perfect the

claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the Employee may appeal the denial of his or her claim. In the event an Employee wishes to appeal the denial of his or her claim, he or she may request a review of such denial by making application in writing to a Human Resources Officer of the Plan Administrator within sixty (60) days after receipt of such denial. Such Employee (or his or her duly authorized legal representative) may upon written request to the Plan Administrator review any documents pertinent to his or her claim, and submit in writing, issues and comments in support of his or her position. Within sixty (60) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Plan Administrator shall notify the Employee of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and contain specific references to the pertinent Plan provision on which the decision is based.

9.3. Statute of Limitations. No action at law or in equity shall be brought by or on behalf of any Employee to recover from the Plan prior to the exhaustion of all administrative remedies provided herein and in any event no action shall be brought unless brought within the earlier of the applicable statute of limitations or three (3) years from the Employee's Employment Termination Date. By virtue of participation in this Plan, the Employee agrees that the standard for reviewing any denial of a claim or for recovery from the Plan will be whether the denial of a claim was made in an arbitrary or capricious manner.

ARTICLE X.

MISCELLANEOUS

10.1. Nonalienation of Benefits.

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

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

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

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

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

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

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

10.7. Appendices. From time to time, Employer may elect to append provisions of limited duration to the Plan to govern what Sponsor determines to be special circumstances governing a substantial number of Employees. Each such Appendix, during the period stipulated therein, shall be deemed a part of the Plan. Except as otherwise stated in any such Appendix applicable to any Employee or Terminated Employee, the rights of such Employee or Terminated Employee as stated in such Appendix shall supersede the rights provided under the Plan, the Benefit provided under such Appendix shall be in lieu of comparable or stipulated Benefits provided under the Plan, and there shall be no duplication of Benefits.

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

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

10.10. Compliance with Code Section 409A. This Plan is intended to be exempt from or comply with Code Section 409A and will be interpreted accordingly. Notwithstanding anything herein to the contrary, (i) if at the time of an Employee's Employment Termination Date the Employee is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of the Employee's termination of employment is necessary in order to prevent any accelerated or additional tax under Code Section 409A, then the Employer will defer the commencement of the payment as described in Section 5.1, and (ii) if any other payments of money or other benefits due to the Employee hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Employer,

that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to the Employee under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid to the Employee in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment, including each installment payment, made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. As such, and to the extent applicable and permissible under Section 409A of the Code, each such "separate payment" shall be made in a manner so as to satisfy Section 409A of the Code and Treasury Regulations promulgated thereunder, including the provisions which exempt certain compensation from Section 409A, including but not limited to Treasury Regulations Section 1.409A-1(b)(4) regarding payments made within the applicable 2 ½ month period and Section 1.409A-1(b)(9)(iii) regarding payments made only upon an involuntary separation from service. The Employer shall consult with the Employee in good faith regarding the implementation of the provisions of this paragraph; provided that neither the Employer, nor any of its employees or representatives shall have any liability to the Employee with respect thereto.

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

(a) *Contingent Reduction of Parachute Payments.* If there is a change in ownership or control of CNO that would cause any payment or distribution by the Sponsor or any of its subsidiaries or any other person or entity to Employee or for Employee's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (each, a "Payment", and collectively, the "Payments") to be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest or penalties incurred by Employee with respect to such excise tax, the "Excise Tax"), then Employee will receive the greatest of the following, whichever gives Employee the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (1) the Payments or (2) one dollar less than the amount of the Payments that would subject Employee to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount, then the reduction will be determined in a manner which has the least economic cost to Employee and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to Employee, until the reduction is achieved. Any reductions pursuant to this Section shall be made in a manner intended to be consistent with the requirements of Section 409A of the Code.

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

(c) *Adjustments.* As a result of the uncertainty in the application of Section 4999 of the Code at the time of a determination hereunder, it is possible that Payments will be made which should not have been made under clause (a) of this Section

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

IN WITNESS WHEREOF, and as evidence of the adoption of this amended and restated Plan effective September 1, 2023, CNO Services, LLC has caused the same to be executed on August 11, 2023.

CNO SERVICES, LLC

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

Its: 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: November 8, 2023

/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: November 8, 2023

/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 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary C. Bhojwani, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

November 8, 2023

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 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul H. McDonough, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my actual knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

November 8, 2023

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.