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PRESENTATION

Operator

Hello, everyone. Thank you for joining us, and welcome to the CNO Financial Group fourth-quarter earnings call. (Operator Instructions) We will now hand the call over to Adam Auvil, VP of Investor Relations. Please go ahead.

Adam Auvil - *CNO Financial Group Inc - Vice President - Investor Relations & Sustainability*

Good morning and thank you for joining us on CNO Financial Group's fourth-quarter 2025 earnings conference call. Today's presentation will include remarks from Gary Bhojwani, Chief Executive Officer; and Paul McDonough, Chief Financial Officer.

Following the presentation, we will also have other business leaders available for the question-and-answer period. During this conference call, we will be referring to information contained in yesterday's press release. You can obtain the release by visiting the Media section of our website at cnoinc.com.

This morning's presentation is also available in the Investors section of our website and was filed in a Form 8-K yesterday. Let me remind you that any forward-looking statements we make today are subject to a number of factors, which may cause actual results to be materially different than those contemplated by the forward-looking statements.

Today's presentation contains a number of non-GAAP measures, which should not be considered as substitutes for the most directly comparable GAAP measures. You'll find a reconciliation of the non-GAAP measures to the corresponding GAAP measures in the appendix. Throughout the presentation, we'll be making performance comparisons, unless otherwise specified, any comparisons made will refer to changes between full year '25 and full year 2024.

And with that, I'll turn the call over to Gary.

Gary Bhojwani - *CNO Financial Group Inc - Chief Executive Officer, Director*

Thanks, Adam. Good morning, everyone, and thank you for joining us. CNO once again delivered an excellent quarter and full year results. We are growing and investing in the franchise, growing operating earnings and improving profitability, all at the same time. Our performance remains consistent and repeatable, underpinned by strong execution and a focus on the underserved middle-income market.

We achieved and in most cases, exceeded all of our 2025 guidance, including improving our operating return on equity to 11.4%, excluding significant items. Building on our sustained momentum, 2025 represented one of our best operating performances to date. We delivered our 14 consecutive quarter of sales growth, our 12 consecutive quarter of growth in producing agent count and our most productive year ever for both our Bankers Life and Optavise captive agencies.

For the full year, we delivered record total new annualized premium, up 15%. We set production records across both divisions and in multiple product lines, a clear sign that our model is meeting the broad-based needs of our middle-income consumers.

Our exclusive middle market focus and our last mile captive agent distribution model create our durable competitive moat. This difficult-to-replicate model is a clear competitive advantage and a catalyst for profitable growth. I'll cover these results in more detail in each division's comments. Our consistent sales momentum is driving earnings growth. Operating earnings per diluted share was \$4.40, an increase of 11%.

Earnings continue to benefit from strong insurance product margin and investment results, reflecting growth in the business and expansion of the portfolio book yield. New money rates have exceeded 6% for 12 consecutive quarters while maintaining portfolio quality.

Paul will go into greater detail on our financial performance. We ended the year with a robust total capital position after returning \$386 million to shareholders, an 11% increase over 2024. And for the 13 year in a row, we raised our quarterly common stock dividend. Book value per diluted share, excluding AOCI, was \$38.81, representing a 7% compound annual growth rate over the past three years.

Additional highlights from 2025 include a second reinsurance transaction with our Bermuda affiliate, continued strong capital position and free cash flow generation and an all-time high share price. Turning to slide 5 and our growth scorecard. 2025 was a record-setting year and nearly all growth scorecard metrics were up for the quarter and for the full year. As a reminder, our growth scorecard focuses on the three key drivers of our performance: production, distribution, and investments in capital.

I'll discuss each division in the next two slides. Paul will cover investments and capital during his remarks. Beginning with the Consumer division on slide 6. Our Consumer division delivered an exceptional year capped off by our 13 consecutive quarter of sales growth.

2025 also marked the third consecutive year of record production by the Bankers Life agent force. For the full year, we delivered record total NAP up 15%, double-digit growth in life, supplemental health and Medicare Supplement and record growth in annuities and client assets in brokerage and advisory.

Life NAP was up 10% for the full year, led by record direct-to-consumer life sales, up 20%. Our targeted measured approach to the D2C channel benefited from technology-driven productivity enhancements and diversifying our direct marketing away from television to include more web, digital and third-party channels. These non-television lead sources generated over 70% of all D2C life sales for the year.

Total Health NAP was up 22%, which marks 14 consecutive quarters of growth. Supplemental health was up 15% and long-term care was up 4%. Our field force delivered another exceptional performance during the Medicare annual enrolment period. Medicare Supplement NAP was up 49% for the full year and up 92% for the quarter, our best Med Supp quarter in 15 years.

Medicare Advantage policies sold, which are not reflected in NAP, were down 3% for the year. Our results reflect a growing shift in consumer preferences from Medicare Advantage to Medicare Supplement as many of the leading MA carriers pare back plans and benefits reversing a decade-long trend.

Medicare remains a flagship door opening product for us to meet and serve more customers. Total Medicare policies sold were up 5% for the year. With approximately 11,000 Americans turning 65 each day, we expect overall demand for Medicare products to grow and to help us expand the total number of households we serve. Record annuity collected premiums were up 9% for the full year and up 3% for the quarter, our 10 consecutive quarter of growth.

Collected premiums in the quarter totalled \$508 million and in-force account values were up 7%, exceeding \$13 billion. Our captive distribution and the long-term relationships that our agents establish with their clients add stability to our annuity block. We delivered our 11 consecutive quarter of brokerage and advisory growth. Client assets in the channel were up 24% over the prior year, totalling more than \$5 billion. For the full year, total accounts were up 12%. When combined with our annuity account values, our clients now entrust us with more than \$18 billion of their assets, up 11% from 2024.

Improving agent productivity fuelled our sustained sales momentum in 2025. Producing agent count grew for the 12 consecutive quarter and registered agent count was up 8%. The Consumer division delivered another outstanding year. We expect that same focus and momentum to carry into 2026.

Next, slide 7 and our Worksite Division performance. Worksite insurance sales have never been stronger, with 2025 representing the best production year ever for our worksite business. We finished the year with record full year insurance sales, up 15% and record fourth-quarter insurance sales up 13%.

This represents our second consecutive year of record production and 15 consecutive quarter of NAP growth. Full year highlights included record life insurance sales, up 36%; hospital indemnity insurance, up 41% and accident insurance up 11%. Strategic growth initiatives contributed significantly to our Worksite NAP performance in 2025.

Our geographic expansion initiative delivered 11% of the NAP growth for the year, and NAP from new group clients was up 23%. Producing agent count was up 7%, driven by recruiting up 10%. This marks our 14 consecutive quarter of growth in the agent force.

Our previously announced exit of the fee services business within Worksite is progressing on schedule and should be largely complete in the first half of 2026. We are already seeing the benefits of streamlining our focus on core insurance business. As we enter 2026, we remain confident in our ability to execute and continue to grow the business.

And with that, I'll turn it over to Paul.

Paul McDonough - CNO Financial Group Inc - Chief Financial Officer

Thank you, Gary, and good afternoon -- or good morning, rather. Good morning, everyone. Turning to the financial highlights on slide 8. Our results for the quarter and the year demonstrate our ability to deliver sustained profitable growth. Operating return on equity, excluding significant items, was 11.4%, reflecting significant improvement from the 10% run rate return on equity in 2024 and good progress toward our 12% target ROE in 2027.

Operating earnings per share ex significant items grew 10% in the quarter and 6% for the year, reflecting continued strength in both insurance product margin and net investment income. Notably, at \$4.02, our full year operating earnings per share, excluding significant items, exceeded the high end of our original guidance.

Similarly, our full year expense ratio of 18.9%, excluding significant items, was better than the low end of our original guidance, reflecting improved operating leverage as we grow the business. The effective tax rate on operating income was 20.6% for the year, coming in below our 22% to 22.5% guidance. This reflects the impact of tax strategies implemented in the fourth-quarter related to certain tax credits, reduced impact of state taxes and an increase in tax-exempt interest.

We deployed \$320 million of excess capital on share repurchases in the year, up 14%, including \$60 million in the fourth-quarter. This contributed to an 8% reduction in weighted average diluted shares outstanding and reflects the strong free cash flow generation of the business. Overall, the quarter and full year reflect a continuation of the operational momentum we have carried throughout the year.

Turning to slide 9. Total insurance product margin, excluding significant items, increased again this quarter, supported by outstanding sales performance over the last few years across both divisions and for most products.

This growth, coupled with stable underlying claims trends, continues to drive higher margins across the three product categories. 2025 again demonstrates the value of our diversified product portfolio where ordinary puts and takes across product lines consistently net to stable and growing total margin over time.

Turning to slide 10. Net investment income remains solid, marking the ninth consecutive quarter of growth in total net investment income. Allocated net investment income increased with both growth in average net insurance liabilities, up 4.1% and continued improvement in the average yield on allocated investments.

For the year, NII allocated to products was up 6%. Net investment income not allocated to products reflects puts and takes across its various components. The net result in the quarter was strong, supported by alternative investment income, which met yield expectations and a \$12 million special dividend from a strategic investment. Total NII reflects disciplined portfolio management, steady asset growth, and durable yield performance, all of which continue to support strong earnings fundamentals. We issued \$400 million of FABN in the quarter and \$750 million for the full year.

This program continues to deliver quality risk-adjusted returns, and we remain very pleased with its performance and expect to continue issuing under the program going forward, subject to market conditions. Our new investments in the quarter comprised approximately \$1.6 billion of assets with an average rating of A and an average duration of six years. Our new investments are summarized in more detail on slide 22 of the presentation. The new money rate was 6.11%, the 12 consecutive quarter above 6%.

Turning to slide 11. Our investment portfolio remains high quality and liquid. As of year-end, we held a record \$31 billion of invested assets with 97% rated investment grade and an average rating of single A. The portfolio's strong performance reflects our consistent up and quality positioning and remains diversified and well balanced. Commercial real estate and private credit portfolios continue to perform as expected, supported by conservative underwriting and proactive risk management.

Turning to slide 12. We ended the year with a robust total capital position. Our consolidated risk-based capital ratio was 380%. You may notice that we're referencing a target RBC range of 360% to 390% with the midpoint consistent with the previously stated 375%. Managing within this range allows for normal quarter-to-quarter variability in the RBC metric. The range is also consistent with how we describe to rating agencies and to regulators, our risk appetite, and our approach to risk management.

Holding company liquidity ended the year at \$351 million, well above our minimum threshold of \$150 million, supported by continued strong free cash flow generation and reflecting our second reinsurance transaction with our Bermuda affiliate announced back in November. Debt to total capital remains within our target range of 25% to 28%. Overall, our capital position remains strong, providing flexibility to support growth, maintain financial resiliency and continue deploying capital in a disciplined and sustainable manner.

Turning to slide 13 and our initial 2026 guidance. We continue to target an improvement in run rate operating return on equity of 200 basis points through 2027 off a run rate 2024 ROE of approximately 10%. Importantly, our 2026 guidance is aligned with that trajectory as we remain focused on delivering improved profitability while maintaining our strong growth momentum and resilient capital position.

We expect operating earnings per share between \$4.25 and \$4.45, which represents an 8% increase at the midpoint from our 2025 result and reflects continued earnings growth across the business. This outlook assumes a stable macro environment and investment returns consistent with our long-term expectations.

Our expense ratio is expected to be in the range of 18.8% to 19.2%. At the midpoint, this reflects stable operating leverage as we continue to grow the business, partially offset by ongoing investments to support growth. As in prior years, we would expect some seasonality within the year with the expense ratio starting higher in the first-quarter and trending lower as the year progresses.

We expect fee income of approximately \$30 million for the year, with roughly a third in the first-quarter, minimal contribution in the second and third-quarters and the balance in the fourth-quarter. The effective tax rate is expected to be approximately 22.5%. We expect free cash

flow of \$200 million to \$250 million, which supports continued progress on capital deployment while maintaining a strong balance sheet and investing in the business to support growth and execution of our strategic initiatives.

You'll recall that in 2025, we began a three-year initiative to invest in tech modernization with an expected investment over that period of approximately \$170 million. This initiative is on track and on budget.

In 2025, we deployed roughly \$20 million on the initiative. And in 2026, we expect to deploy an additional \$75 million. It's worth noting that our free cash flow guidance is net of this investment. As mentioned, we expect to operate with a risk-based capital ratio in the range of 360% to 390%.

Finally, we expect minimum holdco liquidity of \$150 million and a debt to total capital ratio of 25% to 28%. And with that, I'll turn it back to Gary.

Gary Bhojwani - CNO Financial Group Inc - Chief Executive Officer, Director

Thanks, Paul. Turning to slide 14. CNO once again had exceptional full year results. We achieved and in most cases, exceeded all 2025 guidance metrics. and delivered one of our best operating performances on record.

Consistent, repeatable results continue to drive our momentum. We're growing and investing in the franchise while also growing earnings and improving profitability. We enter 2026 with a strong capital position and a path to achieving our 2027 ROE target. Thank you for your support of and interest in CNO Financial Group. We will now open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Suneet Kamath, Jefferies.

Suneet Kamath - Jefferies LLC - Equity Analyst

I wanted to start with earnings emergence, and maybe this one is for Paul. As we think about the strong sales that you guys have generated over the past couple of years, I'm assuming there's some sort of lag between kind of when you write the business and when it sort of fully earns in. So I was just wondering if you can maybe give us a rule of thumb in terms of sort of how long does it take to kind of hit the target returns that you're pricing for?

Paul McDonough - CNO Financial Group Inc - Chief Financial Officer

Sure. Suneet, I appreciate the question. So it depends by product and the duration of the product. I guess what I'd emphasize is that we are hitting our target returns across our product portfolio. And the guidance that we've provided is capturing how earnings are emerging based on the sales trends over the last few years.

And given our continued sales momentum and how that translates to earnings, that gives us confidence in our ability to meet the ROE target in 2027. And as Gary has emphasized on a number of occasions, that's not the endpoint, right? The expectation is that beyond 2027, we would continue to see ROE improvement.

Suneet Kamath - *Jefferies LLC - Equity Analyst*

Got it. And then I guess maybe for Gary, just wanted to get a sense of how you're thinking about the environment. We're seeing layoffs. We're seeing bad job numbers. On the one hand, it creates an opportunity for you from a recruiting perspective.

On the other hand, it could create challenges for your target market. So I was just hoping you could walk us through your thoughts on that. And then do you have an expectation for producer -- producing agent count growth in 2026?

Gary Bhojwani - *CNO Financial Group Inc - Chief Executive Officer, Director*

Yes. Good question. I'll start with the last question first. Do we expect to grow producing agent count? Yes, we will continue to grow it. That's our expectation. I would just emphasize, I think producing agent count growth is important, but I think it's a distant second to agent productivity. Ideally, we try and do both. We try and grow the number of agents we have, and we want them all to be more productive. But if you force me to pick, I will always emphasize productivity.

That's a very long-winded way of saying we expect the agent count to grow in 2026. but it's not my primary focus. The primary focus is definitely productivity. In terms of the overall outlook, let me first issue a disclaimer. I have a terrible track record of predicting everything from interest rates to the weather.

If you want to know exactly what's not going to happen, you should ask me for a prediction. All of that said, I feel like 2025 was a year of significant lack of visibility. And I have to tell you; I still feel that way. I feel like there are so many variables in terms of what could happen with interest rates and geopolitics and so on. I think that it's very difficult -- it's always difficult to predict, but I really feel like '25 and now '26 during my tenure as running different businesses, these are some of the most lack of visibility I've had as a CEO.

Now all of that said, yes, we have seen the job numbers. We have seen the reports of more layoffs. That typically helps us on the recruiting side, but that, of course, makes consumers more afraid and more reticent to engage in discretionary purchases. So what does that mean? It means our agent counts may go up.

It means that things like Medicare Supplement, which are typically a little bit more immune to economic cycles, those sales should still be reasonable, but other discretionary sales such as annuities, life and long-term care, I think, get more difficult when the macro environment gets tougher.

All that said, we've continued to work through it. And I think it's really important to remember that no matter what's happening in the economy, there's still 11,000 folks turning 65 every day, and those folks still have an absence of alternatives in terms of long-term planning and so on. So that represents the opportunity for us, but the pressure is definitely growing. The headwinds are definitely growing.

Was that the type of detail you were looking for? Or is there something I missed?

Suneet Kamath - *Jefferies LLC - Equity Analyst*

No, no, that's great. And if I could just sneak one more in. Paul, I think you mentioned on the last call, it was sort of reasonable to assume sort of a Bermuda transaction a year. I just want to make sure there's -- that's right and that there's no change in that kind of thinking, high level.

Paul McDonough - CNO Financial Group Inc - Chief Financial Officer

Yes. So Suneet, I guess I'd say that we're very pleased to have completed our second treaty in 4Q of last year. We continue to work to further grow our Bermuda operation. But we won't share any specific plans as to not to get ahead of the regulatory review process. Our guidance does not contemplate any additional treaties beyond the two already in place for 2026. But I think, as I said last time, the cadence we've been on should be a decent indication of the cadence going forward.

Gary Bhojwani - CNO Financial Group Inc - Chief Executive Officer, Director

Suneet, I agree with Paul's comments. I would just like to emphasize one point. We enjoy really good relationships with the regulators there and frankly, in the US as well. And I think part of the reason we have those good relationships is because we're very respectful of their process.

We never want to make any predictions that would seem like we're getting ahead of them or their processes, and that's why we don't build those types of things into our projections. We will be working to do what makes sense and what's smart and so on, but we also want to be respectful of the regulatory process.

Operator

Wilma Burdis, Raymond James.

Wilma Burdis - Raymond James - Analyst

Growth in '25 was strong at kind of high single digits or maybe, I guess, low double digits. But I realize this has been a result of multiple years, Gary, that you've been focused on positioning the business for growth. But is this a sustainable level? Anything unusual in 2025? Or I suppose there could even be some upside, right, with Medicare Advantage issues, tech investments, that kind of thing. So maybe just give us some color.

Gary Bhojwani - CNO Financial Group Inc - Chief Executive Officer, Director

Yes. I'll -- I think the easiest way to answer your question, Wilma, is probably to give you a little bit of a feel product by product. I think that we would expect our Medicare Advantage sales to go down because of what's happening in the marketplace. That really has nothing to do with CNO. It's just what's going on in the marketplace.

Similarly, I would expect our Medicare Supplement sales to continue to go up. That volume, those 11,000 seniors that are turning 65 every day, more of them are going to be buying Medicare Supplement than historically have. In terms of some of the other products, it starts to get harder to predict.

If you think about some of the comments I made with Suneet, depending on what's happening with the macroeconomic conditions, that's really going to impact the discretionary purchases that the consumers make. Now we've been able to continue to work right through all of those.

Again, we've really had the demographic tailwinds that have helped us. But if we see increased headwinds, if there are really a lot more layoffs like we've seen early signs of, that's going to slow down discretionary purchases, and we will inevitably be impacted by that.

All in all, we remain pretty comfortable with the guidance that we've provided in terms of ROE and earnings and so on. It might be that we get more in one product and less in another, but we feel pretty good about the guidance we provided. We do acknowledge that there's some macroeconomic headwinds coming.

Wilma Burdis - *Raymond James - Analyst*

And then could you help us think through any impacts on Medicare Advantage distribution fees? I think that there's some actuarial component there that's based on the churn. And we've all heard about Medicare Advantage and some of the issues there. I realize that those underwriting issues don't apply to you guys but could impact the churn. Is that reflected in the '26 outlook? And maybe if you can give us any additional color.

Gary Bhojwani - *CNO Financial Group Inc - Chief Executive Officer, Director*

Yes. We have reflected -- I'm sorry, this is Gary. We have reflected what we're expecting to see in terms of the volume on Medicare Advantage in our projections. I would expect there will continue to be pressure there. It's hard to know whether the carriers are going to focus on compensation or they're going to focus on paring back benefits or what other things they're going to do as they go through the process.

All of that said, I think the bottom line is Medicare Advantage is going to have some very significant headwinds. And that's another reason we feel good about our model where those consumers that want it, they can get it from us, but we are definitely more focused on Medicare Supplement, and we like the Medicare Supplement better.

Operator

Jack Matten, BMO Capital Markets.

Jack Matten - *BMO Capital Markets - Analyst*

Maybe just one on capital deployment. I guess, given the end of the year with about \$200 million above your holding company target. I guess, are you thinking you'll bring that down closer to your target level by the end of this year? And any perspective or thoughts on potential uses of cash would be helpful.

Paul McDonough - *CNO Financial Group Inc - Chief Financial Officer*

Jack, it's Paul. I would just emphasize that there's really been no change in how we think about deploying excess capital. On the margin, we return it to shareholders through share repurchases, absent more compelling alternatives. We also think there's some wisdom to being somewhat measured in how quickly we take down the excess. So without providing specific guidance, I think the past practice here should be a good indication of our future behaviour.

Jack Matten - *BMO Capital Markets - Analyst*

Got it. And maybe just on the unallocated NII. I know there's a lot of things that go into that bucket but wondering if there's any kind of directional outlook you can provide for that line. I mean I know you called out a \$12 million special dividend. If we back that out, is that something close to what a normal run rate that you expect?

Paul McDonough - *CNO Financial Group Inc - Chief Financial Officer*

Yes. I would point you, Jack, to the detail in the supplement that breaks down what flows through NII not allocated. Certainly, the dividend in the fourth-quarter of this year and the fourth-quarter of last year is sort of off trend and not something that we expect to be repeated. We may see more of that, but it's not kind of run rate. The one thing that's fairly volatile has been at least the last few years is the income from alts.

And certainly, the sequential trend has been good there over the last few quarters, particularly in the fourth-quarter of this year, where the yield was actually slightly better than our long-term run rate of sort of 8% to 9%, something in that range. So I wouldn't necessarily predict how that's going to play out over the next four quarters. But our guidance does presume that it's generating that long-term return.

Jack Matten - *BMO Capital Markets - Analyst*

Got it. And I guess one more and kind of a follow-up on the Medicare dynamics. I guess I know for Medicare Supplement, you capture both distribution and the underwriting economics. I guess is that then more or less or the same on like an ROE basis versus Medicare Advantage where you really are only counting with the distribution economics of that. Just wondering how we should think about how that plays into your financials and ROE profile.

Gary Bhojwani - *CNO Financial Group Inc - Chief Executive Officer, Director*

Yes. Economically, frankly, we're indifferent. There are pros and cons to each as an example, with the Medicare Advantage, you get to recognize the income sooner as an example. But the high-level thing you should take away is, economically, we're really indifferent, and we've designed it that way intentionally. All that said, operationally, I have a strong preference for the Medicare Supplement, number one, because we manufacture it and distribute it, so we control the entire chain, if you will.

So that isn't an economic commentary. That's just about the business. Second, typically, not always, but typically, Medicare Supplement consumers tend to be of higher net worth, and they tend to have a greater ability to buy other products. And I want to emphasize with that; there are some really strict rules about how you can market to consumers when you have a Medicare relationship and so on. And we, of course, follow all of those rules.

So I don't want that to get misinterpreted. But the bottom line is, in the context of those rules, we do better with consumers that have a Medicare Supplement because they typically have a greater net worth and typically have a greater interest in talking to us about other products as well. So that's the reason for the preference.

Operator

(Operator Instructions)

Wilma Burdis, Raymond James.

Wilma Burdis - *Raymond James - Analyst*

Just a couple for you. Are you seeing any dynamics in the investment universe that might influence a shift in allocations to higher-yielding assets in order to just continue to have a good yield given proper risk management with interest rate decreases and ongoing tight spreads.

Paul McDonough - *CNO Financial Group Inc - Chief Financial Officer*

Thanks for the question. Eric, I'd invite you to offer your perspective on that. We may have lost Eric.

Gary Bhojwani - *CNO Financial Group Inc - Chief Executive Officer, Director*

I think Eric is having some technical difficulties.

Eric Johnson - CNO Financial Group Inc - Chief Investment Officer; President, Chief Executive Officer - 40&pipe;86 Advisors

I think right now, we're largely running back what we did for the second half of last year, which was pretty successful, which was largely around sustaining good portfolio quality, supplemented with some small tactical add-ins around the edges that really produce some yield in the portfolio. I would not expect us to be changing necessarily our risk parameters currently.

I don't think spreads continue to be very tight. I don't think there's a particular space right now where you're being rewarded for that. That would include the software space, that would include the BDC space as well. Very closely monitoring those areas for opportunities should it arise. But currently, I don't think the valuations have cheapened enough to attract our money. So running it back, I feel good about how things are trending right now. And it will take a little bit more juice in the orange for us to change that.

Wilma Burdis - Raymond James - Analyst

And then just one last one. Is there any elevated sales benefit that you're seeing from annuities products as a result of the increased health sales, specifically in Medicare Supplement? Or is it just kind of normal course growth?

Gary Bhojwani - CNO Financial Group Inc - Chief Executive Officer, Director

I think it's mainly normal course growth. Now that said, we had really strong Medicare Supplement sales, and that, of course, helped us consistent with my earlier comments, the Medicare Supplement consumers typically have a better cross-sell ratio for us, again, within the context of following all the rules that are out there. So we benefit from that. But in terms of that ratio growing where there was a greater level of cross-sell, I wouldn't say so, no.

Operator

John Barnidge, Piper Sandler.

John Barnidge - Piper Jaffray Inc - Analyst

My first question is sticking with the investment portfolio. What's the exposure to software in the investment portfolio as you broadly define it?

Eric Johnson - CNO Financial Group Inc - Chief Investment Officer; President, Chief Executive Officer - 40&pipe;86 Advisors

John, this is Eric. Hopefully, you can hear me on my first go around. This for us, I think, will be an opportunity if it arises, certainly not a problem. I'm old enough to remember Polaroid and Kodak. And so software has always been a business that's been susceptible to disruption.

That's not something I'm learning this year. I've known it for a really long time that's informed how we've allocated to the space. Currently, we have roughly \$250 million of software exposure. That's about 60, 70 basis points, a pretty small number. Strong tilt towards software that serves enterprises rather than small businesses or consumers within that small -- within that rather, strong preference for mission-critical software, systems of record, proprietary data repositories, and cyber security.

So I think we are positioned from strength. And when and if the market rewards some risk taking in this area, I think we'll be prepared for it. Broadening out my answer for you, John, if you looked into our alternatives portfolio, somewhat similar answer in private credit, which is about \$1.4 billion allocation. We probably have -- it's less than 10% of that would be exposed to software. And within that, it's very little of it is direct lending.

The great bulk of it is in structured form, which means it has good credit support and it is margin and all that stuff. So we've got strong cushions there. In PE, it's about 15% of our PE holdings, which is \$400-plus million.

So 15% of that, you can do the math, it's about \$70 million. And so I think that if you got a big draw-down or bigger than where we've currently experienced at least in PE or even in private credit, you could, I think, dampen alternatives returns, but I don't think you would destroy alternatives returns.

So I think on balance, we're in a good spot. And I think we have the ability and the partners to take advantage of opportunities as they emerge. And I think I'll leave it there, but happy to amplify anything you would like.

John Barnidge - Piper Jaffray Inc - Analyst

It was very helpful. My next question for Gary. If we talk about -- I think it was 11,000 people turning 65 a day now, you've certainly positioned yourself to take advantage of this secular dynamic for quite some time with recruitment and productivity. But I'm trying to better understand how we see this 11,000 moving to 12,000 and when it goes back down to 10,000. How long does it take us to get here from 10,000 to 11,000? And can you talk about your product positioning in the life cycle of these individuals turning to 65?

Gary Bhojwani - CNO Financial Group Inc - Chief Executive Officer, Director

Yes. Thanks, John, Sorry, I'm getting a lot of echo. A couple of comments. I believe we hit the peak. It's either 2030 or 2035 when the number of folks turning 65 starts to go down again. So we're within 5 to 10 years of that peak number, if memory serves correctly, but we expect it to grow or hold stable until then. And even when it starts to come down, it's not like it's going to go from 11,000 down to 2,000, it's going to gradually reduce again (technical difficulty)

So it still represents a very significant opportunity for us. (technical difficulty) So we view this as something that will be there for quite some time regardless of what's happening with Medicare Advantage versus Medicare Supplement. The reality is that anyone who turn 65 is going to at least look at these products. (technical difficulty) So we expect this opportunity to continue for quite some time.

Operator

At this time, there are no further questions. I will now turn the call back to Adam Auvil for closing remarks.

Adam Auvil - CNO Financial Group Inc - Vice President - Investor Relations & Sustainability

Thank you, operator, and thank you all for participating in today's call. Please reach out to the Investor Relations team if you have any further questions. Have a great rest of your day.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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