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CNO.N - Q2 2026 CNO Financial Group Inc Earnings Call

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CORPORATE PARTICIPANTS

Adam Auvil *CNO Financial Group Inc - VP of Investor Relations and Sustainability, CNO Financial Group*

Gary Bhojwani *CNO Financial Group Inc - CEO*

Paul McDonough *CNO Financial Group Inc - CFO*

Eric Johnson *CNO Financial Group Inc - Chief Investment Officer*

CONFERENCE CALL PARTICIPANTS

Ryan Krueger *KBW - Analyst*

Suneet Kamath *Jefferies - Analyst*

Joel Hurwitz *Dowling & Partners - Analyst*

Wilma Burdis *Raymond James - Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by.

My name is Krista, and I will be your conference operator today, CI Financial Group second quarter 2026 earning earnings results. (Operators Instructions) I would now like to turn the conference over to Adam Oville, please go ahead.

Adam Auvil - *CNO Financial Group Inc - VP of Investor Relations and Sustainability, CNO Financial Group*

Good morning and thank you for joining us on CNO Financial Group's second quarter 2026 earnings conference call, today's presentation will include remarks from Gary Budwani, 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 could have seen release by visiting our website at CNN.com.

This morning's presentation is also available in the investors section of our website and was filed in a Form 8k.

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 and unless otherwise specified, any comparisons made will refer to changes between the second quarter 2026 and the second quarter of 2025.

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

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Thanks, Adam.

Good morning, everyone, and thank you for joining us.

CNO delivered a very strong quarter and first half of the year.

Operating earnings per diluted share were up 45% in the second quarter, and up 43% year-to-date, excluding significant items.

We delivered our 16th consecutive quarter of sales growth and our fourth consecutive quarter of producing agent income growth.

As a result, we are raising our fully operating earnings per share guidance, and either improving or reaffirming all other 2026 guidance.

We remain pleased with the consistent results we're generating, and we remain focused on growing earnings.

Improving profitability.

And reining in the business.

Our business model continues to perform well as we navigate a dynamic macroeconomic environment.

Sales results in the quarter were strong across both divisions.

Total new annualized premiums were up 7%, and we set multiple sales records.

Our exclusive middle market focus and our last mile captive agent distribution model are the foundation of our durable competitive mode.

This difficult to replicate model remains a key competitive advantage that drives consistent sales performance and profitable growth.

Earnings benefited from strong insurance product margin and investment results reflecting growth in the business and expansion of the portfolio book yield.

We maintain a robust capital position while returning $77 million to shareholders.

Book value for diluted share excluding AOCI was $39.

$0.92, up 5%.

Turning to slide 5 and our growth scorecard.

Nearly all of our growth scorecard metrics were up for the quarter with strong performance across production.

Distribution and investment in capital.

Turning to slide 6 in our consumer division.

We delivered our 15th consecutive quarter of sustained sales growth.

Including records and annuities and brokerage and advisory.

Total health was up 17%, marking 16 consecutive quarters of growth.

Supplemental health was up 5%, long-term care was up 4%.

Our Medicare business continued to perform well.

Medicare summit NAP was up 52%.

Marking the third consecutive quarter of growth over 50%.

Our results benefit from the shift in consumer preferences away from Medicare Advantage and towards Medicare supplement.

This trend underscores the value of offering both Medicare Supplement and Medicare Advantage through our local agent distribution model.

Medicare remains a flagship door opening product for CNO supporting our ability to expand the total number of households we serve.

Total Medicare policies sold were up 12%.

The baby boomer generation is moving through its peak retirement years with more than 11,000 Americans turning 65 each day.

Rising retirement healthcare costs also continue to pressure household finances.

In 2026, the amount that a typical retired couple needs to save for healthcare increased nearly 8% compared with annual increases of 2 to 3% in recent years.

For these reasons, we expect durable demand for all our healthcare products.

Life app was down 9% for the quarter against the strong comparable.

Results were primarily driven by lower direct to consumer sales.

We take a measured approach to managing our B2C channel.

We invest where we see productive opportunities and optimize performance over time.

This quarter, non-television marketing channels, including web, digital, and third partners generated nearly 72% of all B2C life sales.

As consumer media habits evolve, we continue to reduce our reliance on television advertising and shift more towards efficient marketing channels.

Well, this transition may create some quarterly variability, we remain comfortable with the business and its long-term prospects.

In general, demand for life insurance remains healthy.

However, we do not expect sales to go in a straight line.

Our broad product portfolio allows us to meet shifting customer needs across prote protection, health, and retirement income solutions.

We set multiple records in our asset accumulation business during the quarter, reflecting the demand for retirement income solutions among middle income consumers.

Annuity collected premiums reached a new record of $536 million up 3%.

Account values were up 7%.

We also delivered our 13th consecutive quarter of brokerage and advisory growth.

Client assets were up 24% to a new record, and total accounts were up 13%.

When combined with our annuity account values, our clients entrust us with more than $19 billion of their assets up 11%.

Strong Asian productivity and retention fueled our sales momentum.

Producing agent count was up 3%, our fourth consecutive quarter of growth.

Registered agent count grew 4%.

Next, slide 7 in our work site division performance.

We delivered our 17th consecutive quarter of sustained sales growth.

Record Li and health map was up 29% for the quarter.

This represents our seventh consecutive quarter of double-digit insurance sales growth.

Highlights from the quarter include

Life a hospital and then they got 33%.

Accident, up 31%.

And critical illness up 7%.

Our focus on small to mid-size businesses and associations drives meaningful sales growth.

Employers invest heavily in employee benefits, but the mix is shifting.

To control costs, many are reducing traditional Medicare coverage while increasing the availability of employee paid voluntary benefits.

Our products are designed to address these protection needs.

And our career agents and partners are well positioned to help employees understand and address potential gaps in coverage.

N for new clients increased 84%.

This growth is well balanced between geographic expansion and further penetration into existing markets.

Life sales continue to experience a significant uptick from these new client relationships.

Producing agent count was up 6%, our 16th consecutive quarter of growth.

Productivity remained robust across all Asian cohorts.

Importantly, our optimized career agency remains a growth engine for the division, generating approximately 90% of our total work site insurance sales.

And its strong performance and long-term potential, we will continue to invest in expanding this channel.

Across both divisions, our results highlight the value of a diversified product portfolio built around customer needs rather than individual products.

We think about our product diversification in 3 simple ways.

First, we serve a broad range of customer needs with health, wealth and income protection solutions.

Second, our products play different roles in the customer life cycle.

Medicare products help us initiate new customer relationships while annuities deepen existing relationships and support long-term customer value.

And third, our product portfolio balances risk across mortality.

Morbidity and longevity.

This combination is a unique strength in the marketplace.

It enables us to build lasting customer relationships while delivering consistent performance over time.

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

Okay

Paul McDonough - *CNO Financial Group Inc - CFO*

Thanks, Gary, and good morning everyone.

Turning to the financial highlights on slide 8.

We delivered a very strong quarter.

Generating operating earnings per share of $1.26.

Up 45% in the prior year.

The quota reflects continued strong earnings fundamentals.

Including the compounding of sustained sales momentum.

Contributing to growth and insurance product margin and net investment income.

Favorable underwriting across nearly all products.

And improvement in net investment income not allocated to products led by alternative investment returns.

The income results were generally on plan through the first half of the year.

And we remain on track to achieve our full year outlook.

The expense ratio was 18.4%.

Reflecting another quarter of favorable expense performance.

We continue to view this as a timing difference and expect expense to normalize over the remainder of the year.

We maintained our disciplined and balanced approach to capital management.

Deploying $60 million on share repurchases in the quarter.

Contributing to a 5% reduction in weighted average diluted shares outstanding.

On a trailing tro basis.

Operating return on equity was 14.1%.

And 13.1% excluding significant items.

Reflecting steady progress on improving the profitability of the business.

Overall, the results demonstrate the strength of our business model and consistent execution over the last several years.

Turning to slide 9.

Sales momentum combined with broadly favorable claims experience, drove growth in insurance product margin across ALL3 major product categories.

Fixed indexed annuities continue to benefit from growth in the block.

Other annuities benefited from favorable reserve releases.

Due to higher mortality on the closed block policies.

Supplemental health benefited from growth in the block.

Partially offset by a handful of large claims on older policies.

We viewed claims as isolated events and do not believe they represent a change in the underlying trends.

Medicare supplement benefited from growth in the buck.

Favorable morbidity and rate increases implemented earlier this year.

The favorable morbidity resulted in a reserve release from better than expected 1st quarter claims development, which we do not expect to recur.

Long-term care benefited from growth in the block.

And lower morbidity.

Like margins reflected growth in the block and lower mortality across both intra-sensitive life.

And traditional life.

Traditional life also benefited from lower non-deferable advertising expense.

Turning slide 10.

Net investment income remained a meaningful contributor to earnings growth.

Increasing 8% year over year.

And marking the 11th consecutive quarter of growth in total net investment income.

The new money rate was 6.16% in the quarter.

Representing the 14th consecutive quarter above 6%.

Investment income allocated to product lines increased 3%, supported by growth in average net insurance liabilities, which were up 4%.

Not investment income not allocated to products improved significantly, increasing 46% year over year.

The improvement was driven by higher alternative investment income.

Growth in our SHLB and FABN programs, including a $300 million FABN issuance in the second quarter.

And a higher level of gains on option forfeitures from annuity surrenders.

Turning to slide 11.

At quarter end, our consolidated risk-based capital ratio is 377%.

Holding company liquidity was $233 million.

And debt to capital was 26.1%.

All above or within our target levels.

The underlying capital generation in the business continues to enable thoughtful reinvestment in the business to support growth and manage risk.

While also returning capital to shareholders in a disciplined and sustainable manner.

Turning to our 2026 guidance on slide 12.

Given our strong first half results.

And confidence in the underlying performance of the business.

We are increasing our full year operating earnings per share guidance.

To a range of between $4.60 and $4.80 an 8% increase at the midpoint from our prior 2026 guidance.

We are narrowing the expense ratio to a range of 18.8 to 19.0%, reducing the upper end by 20 basis points.

Reflecting improved operating leverage from continued strong sales results.

As mentioned earlier, we expect expense dollars for the full year to be consistent with our original guidance, notwithstanding some lower expense in the first half of the year.

21.5%.

We are reaffirming all remaining 2026 guidance metrics.

So no change to our target RBC ratio, bold co liquidity, or leverage targets.

And no change to our full year free cash flow expectations.

We are expecting to get closer to target capital levels across our operating subsidiaries, including in Bermuda, which will contribute to free cash flow generation in the second half of the year, subject to customary regulatory approvals.

Turning to return on equity.

Our 2026 operating return on equity is expected to exceed the 3 year target of 12%, we had previously established for year-end 2027.

We have been clear that 12% return on equity was not the destination.

But rather a waypoint in our journey of continued improvement.

Our intention is to improve ROE each year, including in 2027 and beyond as compared to 2026, with the ultimate goal of achieving top quartile ROE relative to our peer group.

We expect to establish new ROE targets in February of 2027.

In line with our normal planning cadence.

And with that, I'll turn it back to Gary.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Thanks, Paul.

Turning to slide 13.

P&O delivered a very strong quarter and first half of the year.

Consistent repeatable results continue to drive our momentum as we grow earnings, improve profitability and reinvest in the business.

Our performance reflects the strength of our diversified business model and the consistent execution of our team.

As we enter the second half of the year, we remain confident in our ability to deliver sustainable growth and long-term value.

Before we open up the line for Q&A, we have 1 calendar announcement.

Our next C&O investor briefing is planned for early September.

This one-hour virtual session will feature both our worksite division and a detailed review of our Medicare business.

Followed by time for questions with members of our management team.

Program registration will start in August, so please ensure that you are signed up to receive our email alerts.

Thank you for your support of and interest in CNO Financial Group.

We will now open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operators Instructions)

Your first gin comes from Ryan Krueger with KBW, please go ahead.

Ryan Krueger - *KBW - Analyst*

Hey, thanks, good morning, my first question was on, long-term care, the margins there have been quite strong and seemingly keep improving for a number of years.

I guess as you study the claim experience, I think in the past you just said it's.

Been trending better than you expected, but as you study the underlying drivers, like, did you, I guess, are you getting closer to the point of thinking this could be more of a long-term level that's sustainable.

Paul McDonough - *CNO Financial Group Inc - CFO*

Hey Ryan, it's Paul,

It's something that we look at every quarter, it's something that we look at, in more detail every year, as we switched to the 3rd quarter for annual review, so we'll be looking at, the recent trends as we go through that exercise in the third quarter, we certainly have, observed modestly lower claims versus our expectations on the favorable end of the range of current assumptions.

So I don't want to get ahead of

The annual exercise, but, we'll certainly be

Reporting that on our 3rd quarterly.

Ryan Krueger - *KBW - Analyst*

Thank you, and then on the worksite business, I guess, particularly on the life sales, can you talk, you've had quite a lot of growth in the interest sensitive life sales within Worksite.

Can you give a little bit more color on kind of what you're seeing there and what do you think's been leading to that.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Yeah, Ryan, this is Gary, thanks for the question.

We're obviously very pleased with how the work site business is growing, as we mentioned, the success we continue to have there is a combination of both geographic expansion as well as penetration in existing areas.

What we're seeing, and remember, selling life insurance into the worksite space and really emphasizing it.

That's been a project going on for the last several years.

I think we're seeing a combination of good market demand, excuse me, we're seeing

Encouragement by employers, and we're seeing, frankly, a maturity of our own sales force and understanding and really using these products to their fullest.

So I think we're benefiting from a number of different what what I would describe as just small tactical things that we've been doing over the years, as we've talked about in many of our calls, there's been no major strategic shifts, no major changes to products, nothing like that, it's just the continued blocking and tackling, and, we have, frankly, a wonderful

Wonderful team out there, that's doing a great job, and we expect it to continue.

Ryan Krueger - *KBW - Analyst*

Thank you.

Operator

Your next question comes from the line orients Kamath with Jeffrey, please go ahead.

Suneet Kamath - *Jefferies - Analyst*

Great, thanks, good morning, wondered with Medsup, it looked like the margin had been traveling sort of in the mid-20s on a quarterly basis, and now it's sort of mid-30s, Paul, I think you'd mentioned a reserve release there, so I was wondering if you could size that for us and maybe give us a sense of where you think on a go forward basis this margin should be traveling, thanks.

Paul McDonough - *CNO Financial Group Inc - CFO*

Sure, hey, Syne.

Yes, we saw some favorable claims reserve development, and this is a product for the the claims reserves develop quickly, and that was around 4 million, so if you're looking to kinda run rate, the margin, you should adjust for that.

I think with that adjustment kind of looking at the first half together that should give you a decent indication of run rate.

Suneet Kamath - *Jefferies - Analyst*

Okay, that's helpful, and then I guess for Gary, and I know we talked about this last quarter, so I can guess what your answer is going to be, but if we just look at consumer map, it just looks like it's been decelerating, I guess the past couple quarters, and as I look out over the next 2, I think the comps get pretty difficult, so just curious if you think you can keep this kind of growth engine going, or, we could we see sort of a decline at least over the next couple of quarters, given the comps, thanks.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Yeah, I mean, the short answer is I don't know, but let me give you a few factors to think about.

So first of all, we've had 1,617 quarters of consecutive growth.

On the one hand, like never goes in a straight line, and there's going to be some point when that streak breaks.

I have no idea when that's going to be.

But I would also tell you, I would not bet against this team.

The field leadership in the consumer division is spectacular.

They have been doing a fantastic job.

We've got a tremendous tailwind in terms of the consumer need, you see still 11,000 folks retiring every day, every single one of them needs help with Medicare.

Every single one of them wants to talk about long-term care and guaranteed lifetime income with annuities.

I don't see any of those trends changing anytime soon.

If you ask me, how does our future look

Over a 3 to 5 year horizon, I would say extremely bright.

Can I tell you if Q3 will be above Q2, and by how much?

I can't, but if I look out over the long-term, we have favorable demographics, and excellent product portfolio, field leadership that is second to none, and it's growing, look at our productivity numbers, so I would not bet against these resolve, no idea.

Suneet Kamath - *Jefferies - Analyst*

Yep, okay, makes sense, thanks.

Operator

(Operators Instructions) Your next question comes from the line of Joel Hurwitz with Dowling and Partners, please go ahead.

Joel Hurwitz - *Dowling & Partners - Analyst*

Hey, good morning, first one, can you just provide an update on capital deployment priorities, and I guess specifically how are you thinking about cherry purchases at this point with the stock now trading well above book value.

Paul McDonough - *CNO Financial Group Inc - CFO*

Hey Joe, I'll take a first crack, and Gary, you may want to jump in.

I, I'd say that the way we think about capital has has not changed.

So we generate a fair amount of capital to support continued growth.

We're reinvesting in the business, the biggest example of that is tech mod initiative that we're, kind of still in their early innings on, but, that's a significant reinvestment in the business to, update our sort of core.

Applic applications and infrastructure and reduce risk and position us for growth.

After all that sort of solving for our target capital levels and hold co liquidity, we generate a fair amount of excess capital.

And we look for inorganic growth opportunities.

We're very selective, we haven't done much of that, and the rest we return to shareholders, through the ordinary dividend on a quarterly basis and and through share repurchases.

So nothing you haven't heard before, really no change to that.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Yeah, if I could just add a couple of things.

First of all, I would emphasize, Paul's main point, which is we have made no changes to how we think about capital deployment.

We see opportunities in the marketplace, we see needs to develop the business for the long-term, think about our tech mod initiative that we've talked about, when we see opportunities in Bermuda, we will continue to take those, but beyond that, there's really been no change.

FY comment I would make, it's absolutely true.

That when we trade above book value, the accounting for treatment of share purchases, is not as obviously advantageous as when we traded below book value.

However, I'm

Hopeful that no one would be surprised to hear the CEO believe that I still think this company is undervalued even above this level or at this level of where we're trading, I think we've got an incredibly bright future, and we will continue to execute the way we're executing, so I think there's a lot more upside here.

Joel Hurwitz - *Dowling & Partners - Analyst*

Got it, that's helpful, thank you, and then Paul, just wanted to see if you could provide an update on Bermuda and where you stand with potentially moving other blocks like your like business or a block of your life business to Bermuda.

Paul McDonough - *CNO Financial Group Inc - CFO*

Sure, so, consistent with our past practice, we're not going to provide details because we don't want to get ahead of regulatory approval processes.

But there are opportunities for us to feed, more of our, liabilities and

That's something that we're focused on, and, we'll keep you

Posted as as that evolves.

As I mentioned in my prepared remarks, we are looking to get closer to target levels of capital across our operating subsidiaries, including in Bermuda, and in the close to 3 years now that we've been operating there, we have built up some excess capital, and so we're looking to solve for that subject, of course, to regulatory approvals.

A third treaty could be a part of that because, that

As you sort of solve for that, you can address some of the excess capital that's been built up.

So that's where we are.

I, that's as much as we can tell you at this stage, but,

Stay tuned as that evolves.

Joel Hurwitz - *Dowling & Partners - Analyst*

Okay. I guess just any call on how much excess capital has been built up in the entity?

Paul McDonough - *CNO Financial Group Inc - CFO*

I, I'd rather not be specific again, just not to get ahead of,

Of the process, in particularly the regulatory review and approval, but I will say that as you think about free cash flow in the year, that.

Process would

As we address capital that's been built up over

A couple 3 years, that'll be sort of a one off favorable item in the year.

We also have the tech mod investment that's consuming capital that's also, one off in nature.

So you net those things together and the free cash flow guidance is is pretty close to run rate, currently.

Joel Hurwitz - *Dowling & Partners - Analyst*

Okay, thank you.

Paul McDonough - *CNO Financial Group Inc - CFO*

Yeah.

Operator

Your next question comes from the line of Wilma Burdis with Raymond James, please go ahead.

Wilma Burdis - *Raymond James - Research Analyst*

Hi, this is Videep on for Wilma.

I was wondering if you could talk about what you're seeing in the market that led to more corporate bond investments this quarter, and, what are some other asset classes.

That are currently attracting investment for CNL, we saw that RMLs have continued to be attractive on you.

Eric Johnson - *CNO Financial Group Inc - Chief Investment Officer*

Yeah, I'll take that, this is Eric John, I'm the Chief Investment Officer, here, so during the quarter, we had a fairly active, quarter, in continuing to TRY to optimize, from a return on asset perspective, and that involved a fair amount of activity, in the in corporate bonds, Swapping,

Durations as well as

Some industry sector, reallocations, interestingly enough, we really have not, been adding aggressively to our RML portfolio over the period while they screened pretty well, for, from a return perspective, we feel we have a sufficient, allocation, there, and in fact, and we've been working pretty hard in this interest rate environment to.

Manage lower the convexity profile of our portfolio, so we really have been less, a little less active than historically it was the case in generally in.

Prepayable, securities we've been leaning for, the other direction, actually, we're, I think,

I would not,

I would say that our allocation to corporates, is probably, in line with our, what we think is our expectation, would be there, in terms of the kind of the ratings breakdown of it, we continue to focus pretty heavily on the single A category, as being a little better value for us in the triple B category, so it was a very constructive quarter.

We did a lot of good things, put some income on the books, continue.

To% quality of the portfolio, and, feel good about how the quarter went.

Wilma Burdis - *Raymond James - Research Analyst*

Hey, thanks, this is Wilma, thanks for deepep just jumping in for the follow-up question.

Can you talk a little bit about the annuity spread dynamics, are you seeing relatively stable crediting rates in the market, has there been any pressure there?

Maybe just give us a little bit of color on what you're seeing.

Thanks.

Paul McDonough - *CNO Financial Group Inc - CFO*

Hey, Wilma, it's Paul. I'm not sure I can provide a whole lot on, sort of what you'd expect, which is, we manage our annuities to sort of a target spread.

We're pretty good at doing that and and continue to, apply that level of discipline in the current environment.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Yeah, let me just supplement Paul's comments a little bit, I think it's important to remind everybody of a few key factors that make our annuity book different, and I won't say immune, but I will say less, subject to some of the other pressures we're seeing in the marketplace.

We've absolutely seen new entrants come in, we've absolutely seen a bit of an arms race, there's no question about that, you've seen that in some of the sales figures, but remember, number one, we sell our annuities only through captain distribution.

And so our people are not regularly spreadsheeting our products, and then number 2, and this is a key thing, the products that we sell are to the dedicated to the middlecom market.

They are fair, they're reasonable, they provide a good value.

But when our captive distribution forces in there talking to these customers, they're not competing against everybody and brother because most folks aren't calling on this customer base, as often as anything, our competition is a bank's CD.

So it's important to remember that we're not immune to these competitive pressures, but we are significantly insulated because of the difference in our distribution model and the focus we have on that middle income market that doesn't attract a lot of attention for most big financial players.

Wilma Burdis - *Raymond James - Research Analyst*

Thanks for the color and, congrats on a great quarter, thanks.

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Thanks.

Operator

(Operators Instructions) I will now turn it back over to Adam Oville for closing comments.

Adam Auvil - *CNO Financial Group Inc - VP of Investor Relations and Sustainability, CNO Financial Group*

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 the day.

Operator

Ladies and gentlemen, this does conclude today's conference call.

Thank you for your participation, and you may now disconnect.
