CNO Financial Group, Inc.
Form DEF 14A
March 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

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Preliminary Proxy Statement

¨

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x

Definitive Proxy Statement

¨

Definitive Additional Materials

¨

Soliciting Material under §240.14a-12

CNO FINANCIAL GROUP, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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(1)

Amount Previously Paid:

(2)

Form, Schedule or Registration Statement No.:

(3)

Filing Party:

(4)

Date Filed:

CNO Financial Group, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 9, 2012

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Shareholders of CNO Financial Group, Inc. (the Company), will be held at the CNO Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana, at 8:00 a.m., Eastern Daylight Time, on May 9, 2012, for the following purposes:

1. To elect nine directors , each for a one-year term ending in 2013;

2. To approve the adoption of the Amended and Restated Section 382 Shareholders Rights Plan;

3. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2012;

4. To cast a non-binding advisory vote to approve executive compensation; and

5. To consider such other matters, if any, as may properly come before the meeting.

Holders of record of outstanding shares of the common stock of the Company as of the close of business on March 12, 2012, are entitled to notice of and to vote at the meeting. Holders of common stock have one vote for each share held of record.

In accordance with the rules of the Securities and Exchange Commission (the SEC), on or about March 30, 2012, we either mailed you a Notice of Internet Availability of Proxy Materials (Notice) notifying you how to vote online and how to electronically access a copy of this Proxy Statement and the Company s Annual Report to Shareholders (together referred to as the Proxy Materials) or mailed you a complete set of the Proxy Materials. If you have not received but would like to receive printed copies of these documents, including a proxy card in paper format, you should follow the instructions for requesting such materials contained in the Notice.

Management and the Board of Directors respectfully request that (if you received a paper copy of the Proxy Materials) you date, sign and return the enclosed proxy card in the postage-paid envelope so that we receive the proxy card prior to the Annual Meeting, or, if you prefer, follow the instructions on your proxy card or Notice for submitting a proxy electronically or by telephone. If your shares are held in the name of a bank, broker or other holder of record, please follow the procedures as described in the voting form they send to you. If you attend the meeting in person you may withdraw your proxy and vote personally at the meeting.

By Order of the Board of Directors

Karl W. Kindig, *Senior Vice President and Secretary*

March 30 , 2012
Carmel, Indiana

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CNO Financial Group, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of CNO Financial Group, Inc. (CNO or the Company) for the Annual Meeting of Shareholders (the Annual Meeting) to be held at the CNO Conference Center, 11825 North Pennsylvania Street, Carmel, Indiana on May 9, 2012, at 8:00 a.m., Eastern Daylight Time. We expect to send the Notice or the Proxy Materials and proxy to shareholders on or about March 30 , 2012.

Solicitation of Proxies

The proxies are solicited by the Board of Directors. Proxies may be solicited by mail, telephone, internet or in person. Proxies may by solicited by the CNO Directors and officers. All expenses relating to the preparation and distribution to shareholders of the Notice, the Proxy Materials and the form of proxy are to be paid by CNO.

If the form of proxy is properly executed and delivered in time for the Annual Meeting, the named proxy holders will vote the shares represented by the proxy in accordance with the instructions marked on the proxy. Each shareholder may appoint a person (who need not be a shareholder), other than the persons named in the proxy, to represent him or her at the Annual Meeting by properly completing a proxy. In either case, such completed proxy should be returned in the envelope provided to you for that purpose (if you have requested or received a paper copy of the Proxy Materials) for delivery no later than May 8, 2012. Proxies received that are unmarked will be voted for each of the Board s nominees for director (Proposal 1), for the adoption of the Amended and Restated Section 382 Shareholders Rights Plan (Proposal 2) , for ratification of the appointment of the Company s independent registered public accounting firm (Proposal 3), and for approval of the compensation paid to our Named Executive Officers (Proposal 4). A shareholder may revoke a proxy at any time before it is exercised by mailing or delivering to CNO a written notice of revocation or a later-dated proxy, or by attending the Annual Meeting and voting in person.

Record Date and Voting

Only holders of record of shares of CNO s common stock as of the close of business on March 12, 2012, will be entitled to vote at the Annual Meeting. On such record date, CNO had 242,323,054 shares of common stock outstanding and entitled to vote at the Annual Meeting. Each share of common stock will be entitled to one vote with respect to each matter submitted to a vote at the Annual Meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

On or about March 30, 2012, we either mailed you a Notice notifying you how to vote online and how to electronically access a copy of the Proxy Materials or mailed you a complete set of the Proxy Materials. If you have not received but would like to receive printed copies of these documents, including a proxy card in paper format, you should follow the instructions for requesting such materials contained in the Notice.

The following sets forth how a shareholder can vote over the Internet, by telephone or by mail:

Voting By Internet

If you hold your shares in street name (that is, if you hold your shares through a broker, bank or other holder of record), you can vote at www.proxyvote.com, 24 hours a day, seven days a week. You will need the 12-digit Control Number included on your Notice or your paper voting instruction form (if you received a paper copy of the Proxy Materials).

Voting By Telephone

If you hold your shares in street name , you can vote using a touch-tone telephone by calling the toll-free number included on your paper voting instruction form (if you received a paper copy of the Proxy Materials), 24 hours a day, seven days a week. You will need the 12-digit Control Number included on your paper voting instruction form.

If you hold your shares in street name, you may also submit voting instructions to your bank, broker or other holder of record. In most instances, you will be able to do this over the Internet, by telephone, or by mail. Please refer to the information from your bank, broker or other holder of record on how to submit voting instructions.

The Internet and telephone voting procedures, which comply with Delaware law and the SEC rules, are designed to authenticate shareholders identities, to allow shareholders to vote their shares and to confirm that their instructions have been properly recorded.

Voting By Mail

If you have received a paper copy of the Proxy Materials by mail, you may complete, sign, date and return by mail the paper proxy card or voting instruction form sent to you in the envelope provided to you with your Proxy Materials or voting instruction form.

Deadline for Submitting Votes By Internet, Telephone or Mail

If you hold your shares through a bank or brokerage account, proxies submitted over the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Time, on May 8, 2012.

Proxies submitted by mail should be returned in the envelope provided to you with your paper proxy card or voting instruction form, and must be received no later than May 8, 2012.

If you want to vote in person at the Annual Meeting and you hold your shares in street name, you must obtain a legal proxy from your bank, broker or other holder of record authorizing you to vote. You must then bring the legal proxy to the Annual Meeting.

Please note that you may receive multiple copies of the Notice or Proxy Materials (electronically and/or by mail). These materials may not be duplicates as you may receive separate copies of the Notice or Proxy Materials for each type of account in which you hold shares . Please be sure to vote all of your shares in each of your accounts in accordance with the directions on the proxy card(s) and/or voting instruction form(s) that you receive. In the case of duplicate votes for shares in a particular account, your last vote is the one that counts.

Votes Required

The election of each director (Proposal 1) will be determined by the vote of the majority of the votes cast (where the number of votes cast for a director exceeds the number of votes cast against that director) by the holders of shares represented (in person or by proxy) and entitled to vote on the subject matter provided a quorum is present. The vote required to approve the adoption of the Amended and Restated Section 382 Shareholders Rights Plan (Proposal 2), the ratification of the appointment of the Company s independent registered public accounting firm (Proposal 3) and the advisory vote to approve executive compensation (Proposal 4), and any other proposal properly brought before the Annual Meeting is the affirmative vote of a majority of the shares represented (in person or by proxy) and entitled to vote on the applicable subject matter. Abstentions from voting will have the same legal effect as voting against each proposal.

Abstentions and shares represented by broker non-votes , as described below, are counted as present and entitled to vote for the purpose of determining a quorum. A broker non-vote occurs if you hold your shares in street name and do not provide voting instructions to your broker on a proposal and your broker does not have discretionary authority to vote on such proposal. Under current New York Stock Exchange rules, your broker will not have discretionary authority to vote your shares at the Annual Meeting with respect to Proposal 1 (election of nine directors as listed in this Proxy Statement), Proposal 2 (adoption of the Amended and Restated Section 382 Shareholders Rights Plan) and Proposal 4 (advisory vote to approve executive compensation). Broker non-votes will have no effect on the outcome of these proposals. Your broker will have discretion to vote your uninstructed shares on Proposal 3 (ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2012).

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 9, 2012

This Proxy Statement (including all attachments), the Company s Annual Report to Shareholders (which includes the Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission (SEC) on February 27, 2012) (which is not deemed to be part of the official proxy soliciting materials) , and any amendments to the foregoing materials that are required to be provided to shareholders are available at www.proxyvote.com . Shareholders may obtain copies of the Proxy Statement, Annual Report to Shareholders and form of proxy relating to this or future meetings of the Company s shareholders on our Internet website at www.CNOinc.com in the Investors SEC Filings section , by calling 317-817-2893 or by sending the Company an email at ir@CNOinc.com. For directions to the Company s 2012 Annual Meeting, please call us at 317-817-2893.

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SECURITIES OWNERSHIP

The following table sets forth certain information concerning the beneficial ownership of our common stock as of March 12, 2012 (except as otherwise noted) by each person known to us who beneficially owns more than 5% of the outstanding shares of our common stock, each of our directors and nominees, each of our current executive officers that are named in the Summary Compensation Table on page 35 and all of our current directors , nominees and executive officers as a group. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 12, 2012 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person or group of persons but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

		Shares Beneficially Owned	
Title of Class	**Name of Beneficial Owner**	**Number**	**Percentage**
Common stock	Paulson & Co. Inc.(1)	23,498,496	9.7%
Common stock	Columbia Wanger Asset Management, LLC(2)	20,372,000	8.3
Common stock	Dimensional Fund Advisors LP (3)	19,352,893	8.0
Common stock	Edward J. Bonach(4)	745,976	*
Common stock	Ellyn L. Brown		*
Common stock	Robert C. Greving	9,652	*
Common stock	R. Keith Long(5)	2,330,565	*
Common stock	Charles W. Murphy (6)		*
Common stock	Neal C. Schneider(7)	82,111	*
Common stock	Frederick J. Sievert	61,652	*
Common stock	Michael T. Tokarz(7)	89,372	*
Common stock	John G. Turner(7)	85,372	*
Common stock	Eric R. Johnson(8)	559,681	*
Common stock	Scott R. Perry(9)	654,646	*
Common stock	Steven M. Stecher(10)	443,630	*
Common stock	All directors and executive officers as a group (17 persons)(1 1)	6,435,907	2.6

* Less than 1%.

(1) Based solely on the Schedule 13F filed with the SEC on February 14, 2012 by Paulson & Co. Inc. The business address for Paulson & Co. Inc. is 1251 Avenue of the Americas, New York, NY 10020.

(2) Based solely on Amendment No. 7 to Schedule 13G filed with the SEC on February 10, 2012 by Columbia Wanger Asset Management, LLC. The Amendment No. 7 to Schedule 13G reports sole power to vote or direct the vote of 20,022,000 shares and sole power to

dispose or direct the disposition of 20,372,000 shares. The business address for Columbia Wanger Asset Management, LLC is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

(3) Based solely on Amendment No. 1 to Schedule 13G filed with the SEC on February 13, 2012 by Dimensional Fund Advisors LP. The Amendment No. 1 to Schedule 13G reports sole power to vote or direct the vote of 18,912,326 shares and sole power to dispose or direct the disposition of 19,352,893 shares. The business address for Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746.

(4) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase 331,500 shares of common stock.

(5) Includes 133,465 shares held directly by Mr. Long, 859,100 shares of common stock owned by Otter Creek Partners I, LP and 1,338,000 shares of common stock owned by Otter Creek International Ltd.

Mr. Long is the majority stockholder of Otter Creek Management, Inc., the general partner of Otter Creek Partners I, LP, and by virtue of such ownership Mr. Long has the power to vote and dispose of the shares held by Otter Creek Partners I, LP and therefore may be deemed to be the beneficial owner of those shares. Otter Creek Management, Inc., as an investment advisor of Otter Creek International Ltd., may be deemed to be the beneficial owner of shares held by Otter Creek International Ltd. Mr. Long expressly disclaims beneficial ownership of the shares held by Otter Creek International Ltd.

(6) Mr. Murphy is employed by Paulson & Co. Inc., which has internal policies that do not allow Mr. Murphy to personally own shares of our common stock.

(7) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase 15,400 shares of common stock.

(8) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase 429,000 shares of common stock.

(9) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase 407,950 shares of common stock.

(10) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase 277,250 shares of common stock.

(1 1) Includes options, exercisable currently or within 60 days of March 12, 2012, to purchase an aggregate of 2,272,180 shares of common stock held by directors and executive officers.

PROPOSAL 1

ELECTION OF DIRECTORS

Nine individuals will be elected to the Board at the Annual Meeting for one-year terms expiring at the 2013 annual meeting of shareholders. Each nominee listed below other than Ellyn L. Brown is currently a member of the Board. All directors will serve until their successors are duly elected and qualified.

Director Qualifications and Experience

In considering candidates for the Board, the Governance and Strategy Committee reviews the experience, skills, attributes and qualifications of the current Board members and other potential candidates to ensure that the Board has the skills and experience to properly oversee the interests of the Company. In doing so, the Governance and Strategy Committee considers the experience, skills, attributes and qualifications of candidates in these areas:

- Insurance and financial services industry;
- Accounting or other financial management;
- Investments;
- Legal and regulatory;
- Actuarial;
- Management including service as a chief executive officer or manager of business units or functions;
- Talent management; and
- Experience as a director of other companies.

The key experiences, skills, qualifications and skills of each of the nominees are included in their individual biographies below.

Consideration is also given to each nominee s independence, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company. For incumbent directors, past performance on the Board and contributions to their respective committees are also considered. The Governance and Strategy Committee and the Board seek directors with qualities that will contribute to the goal of having a well-rounded, diverse Board that functions well as a unit and is able to satisfy its oversight responsibilities effectively. The Governance and Strategy Committee expects each of the directors to have proven leadership, sound judgment, high ethical standards and a commitment to the success of the Company.

The Governance and Strategy Committee does not have a specific diversity policy with respect to Board candidates, but it strongly believes that the Board should have a variety of differences in viewpoints, professional experiences, educational background, skills, race, gender and age, and considers issues of diversity and background in its process of selecting candidates for the Board.

Board Nominees

The Governance and Strategy Committee engaged a third-party search firm to identify, assist in the evaluation of, and recommend potential Board candidates. After considering the candidates identified through that process, the Governance and Strategy Committee recommended that Ms. Brown be a nominee for election to the Board at the Annual Meeting.

Should any of the nominees become unable to accept election, the persons named in the proxy will have the right to exercise their voting power in favor of such person or persons as the Board may recommend. All of the nominees have consented to being named in this Proxy Statement and to serve if elected. The Board knows of no reason why any of its nominees would be unable to accept election.

The Governance and Strategy Committee will consider candidates for director nominees put forward by shareholders. See Shareholder Proposals for 2013 Annual Meeting for a description of the advance notice procedures for shareholder nominations for directors.

Set forth below is information regarding each person nominated by the Board for election as a director.

Nominees for Election as Directors:

Edward J. Bonach, 58, has been chief executive officer and a director since October 1, 2011 and served as chief financial officer of the Company from May 2007 until January 2012. Mr. Bonach joined CNO from National Life Group, where he served as executive vice president and chief financial officer. Before joining National Life in 2002, he was with Allianz Life for 23 years, where his positions included President Reinsurance Division and chief financial officer. He is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and a Chartered Enterprise Risk Analyst. With respect to Mr. Bonach s nomination, the Board and the Governance and Strategy Committee considered his experience as chief executive officer and chief financial officer of the Company and his extensive insurance, actuarial and executive management experience.

[photo not available]

Ellyn L. Brown, 62, has been nominated to join the Board, effective at the Annual Meeting. Until her retirement from full-time law practice, Ms. Brown practiced corporate and securities law, most recently as principal of Brown & Associates, a boutique law and consulting firm that provided operations, regulatory and governance services to financial services industry clients and other clients that operated in heavily regulated, high-scrutiny environments. Ms. Brown has been a member of the board of directors of NYSE Euronext, Inc. (and predecessor entities) since 2005, and also is a member of the board of NYSE Regulation, the entity that oversees NYSE market regulation. She is also a member of the board of directors of Walter Investment Management Corp. Ms. Brown has served as a governor of the Financial Industry Regulatory Authority since 2007 and served from 2007-2011 as a trustee of the Financial Accounting Foundation, the parent entity of the Financial Accounting Standards Board and the Governmental Accounting Standards Board. With respect to Ms. Brown s nomination, the Board and the Governance and Strategy Committee considered her extensive financial industry, legal and regulatory experience .

Robert C. Greving, 60, joined our Board in May 2011. Mr. Greving is the retired executive vice president, chief financial officer and chief actuary for Unum Group, having held those positions from 2005 to 2009. Mr. Greving also served as president of Unum International Ltd., Bermuda. Before becoming executive vice president and chief financial officer of Unum Group in 2003, he held senior vice president, finance, and chief actuary positions with Unum Group and with The Provident Companies, Inc., which merged with Unum Group. His duties prior to retirement included directing all aspects of the finance and actuarial responsibilities for the corporate and nine insurance subsidiary insurance companies of Unum Group. He previously held senior positions with PennCorp Dallas Operations, Southwestern Life Insurance Company, American Founders Insurance Company, Aegon USA and Horace Mann Life Insurance Company during his 35 years in the insurance industry. He is a Fellow of the Society of Actuaries. With respect to Mr. Greving s nomination, the Board and the Governance and Strategy Committee considered his extensive experience with the management of companies in the life, health, disability and annuity lines of business and in particular with the actuarial, financial and investment disciplines.

R. Keith Long, 63, joined our Board in May 2009. Mr. Long founded Otter Creek Management, Inc. in 1991 and since that date has served as its president and chief executive officer. Otter Creek Management, Inc. is the investment advisor for two hedge funds, Otter Creek Partners I, LP and Otter Creek International Ltd. Mr. Long has 35 years of experience in investment analysis in both fixed income and equities. His experience prior to founding Otter Creek Management, Inc. includes 10 years as a fixed income analyst, trader and arbitrageur, and eight years as an equity portfolio manager. His previous employers include Morgan Stanley, Kidder Peabody, Tradelink, Mesirow Financial and Lionel Edie & Co. He is the former chairman of the board of Financial Industries, Inc., a life insurance company, and the former chairman of Financial Institutions, Inc., a property and casualty insurance company. With respect to Mr. Long s nomination, the Board and the Governance and Strategy Committee considered his extensive investment experience and prior experience in the insurance industry.

Charles W. Murphy, 51, joined our Board in February 2010. Mr. Murphy is a Partner of Paulson & Co. Inc. and an Analyst responsible for the Insurance and Asset Management Sectors since May 2009. Mr. Murphy began his career in 1985 at Goldman Sachs in the Corporate Finance Department and joined the Financial Institutions Group in 1987, working on advisory and capital raising assignments, primarily in the insurance sector. He moved to Morgan Stanley in 1990 where he became a Managing Director in 1995 and Co-Head of the European Financial Institutions Group from 1996 to 2000. After eighteen months as the chief financial officer of a venture capital investment firm, Mr. Murphy served as Co-Head of European Financial Institutions for Deutsche Bank from 2001 to 2005 and Co-Head of the European Financial Institutions Group for Credit Suisse from 2005 to 2007. From June 2007 to December 2008, he worked at Fairfield Greenwich Group. With respect to Mr. Murphy s nomination, the Board and the Governance and Strategy Committee considered his extensive financial and investment experience.

Neal C. Schneider, 67, joined our Board in September 2003. Mr. Schneider served from 2003 until 2010 as the non-executive chairman of the board of PMA Capital Corporation, whose subsidiaries provide insurance products, including workers compensation and other commercial property and casualty lines of insurance, as well as fee-based services. He also served on the executive, audit and governance committees for PMA Capital. Until his retirement in 2000, Mr. Schneider spent 34 years with Arthur Andersen & Co., including service as partner in charge of the Worldwide Insurance Industry Practice and the North American Financial Service Practice. Between 2000 and 2002, he was an independent consultant and between 2002 and 2003, Mr. Schneider was a partner of Smart and Associates, LLP, a business advisory and accounting firm. Mr. Schneider has been a certified public accountant since 1970. With respect to Mr. Schneider s nomination, the Board and the Governance and Strategy Committee considered his extensive knowledge and experience in accounting and financial matters, particularly with respect to insurance companies , and in corporate governance .

Frederick J. Sievert, 64, joined our Board in May 2011. Mr. Sievert is the retired President of New York Life Insurance Company, having served in that position from 2002 through 2007. Mr. Sievert shared responsibility for overall company management in the Office of the Chairman, from 2004 until his retirement in 2007. Mr. Sievert joined New York Life in 1992 as senior vice president and chief financial officer. In 1995 he was promoted to executive vice president and was elected to the New York Life board of directors in 1996. Prior to joining New York Life, Mr. Sievert was a senior vice president for Royal Maccabees Life Insurance Company, a subsidiary of the Royal Insurance Group of London, England. Mr. Sievert is a Fellow of the Society of Actuaries. He has been a director of Reinsurance Group of America, Incorporated since 2010. With respect to Mr. Sievert s nomination, the Board and the Governance and Strategy Committee considered his extensive insurance, actuarial and executive management experience.

Michael T. Tokarz, 62, joined our Board in September 2003. Mr. Tokarz is the chairman of MVC Capital, Inc. (a registered investment company). In addition, he has been a managing member of the Tokarz Group, LLC (venture capital investments) since 2002. He was a general partner with Kohlberg Kravis Roberts & Co. from 1985 until he retired in 2002. He is a senior investment professional with over 30 years of lending and investment experience including diverse leveraged buyouts, financings, restructurings and dispositions. Mr. Tokarz has served on the boards of publicly traded companies for over 20 years and during the last five years has served as a director of Dakota Growers Pasta Companies, Inc. (2004 2010), MVC Capital, Inc. (2004 present), Mueller Water Products, Inc. (2006 present), Idex Corporation (1987 present) Walter Energy, Inc. (2006 present) and Walter Investment Management Corp. (2009 present). Mr. Tokarz is a certified public accountant. With respect to Mr. Tokarz s nomination, the Board and the Governance and Strategy Committee considered his extensive knowledge and executive management experience in banking and finance, investments and corporate governance.

John G. Turner, 72, joined our Board in September 2003. He launched Hillcrest Capital Partners, a private equity investment firm, in 2002 and has been its chairman since that date. During his 50-year career in the insurance industry, Mr. Turner served as chairman and chief executive officer of Reliastar Financial Corp. from 1991 until it was acquired by ING in 2000. After the acquisition, he became vice chairman and a member of the executive committee of ING Americas until his retirement in 2002. Mr. Turner served as a director of Hormel Foods Corporation from 2000 to 2011, a director of Shopko Stores, Inc. from 1999 to 2005 and a director of ING funds from 2000 to 2007. Mr. Turner is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. With respect to Mr. Turner s nomination, the Board and the Governance and Strategy Committee considered his extensive insurance industry, executive management, investment management, actuarial and regulatory experience.

Voting for Directors ; Required Vote

The election of each director will be determined by the vote of the majority of the votes cast (where the number of votes cast for a director exceeds the number of votes cast against that director) by the holders of shares of common stock present in person, or represented by proxy, and entitled to vote on the proposal at the Annual Meeting.

In an uncontested election of directors at which a quorum is present, any incumbent director who fails to receive a majority of the votes cast (where the number of votes cast for a director exceeds the number of votes cast against that director) shall offer to tender his or her resignation to the Board. In such event, the

Governance and Strategy Committee will consider the offer and make a recommendation to the Board whether to accept or reject the resignation or whether other action should be taken. The Board will publicly disclose its decision and rationale within 90 days from the certification of the election results.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION TO THE BOARD OF EACH OF THE COMPANY S DIRECTOR NOMINEES LISTED ABOVE.

Board Committees

Audit and Enterprise Risk Committee. The Audit and Enterprise Risk Committee s functions, among others, are to recommend the appointment of independent accountants; review the arrangements for and scope of the audit by the independent accountants; review the independence of the independent accountants; consider the adequacy of the system of internal accounting controls and review any proposed corrective actions; review and monitor the Company s compliance with legal and regulatory requirements; and discuss with management and the independent accountants our draft annual and quarterly financial statements and key accounting and/or reporting matters. The Audit and Enterprise Risk Committee currently consists of Mr. Greving, Mr. Long and Mr. Schneider, with Mr. Greving serving as chairman of the committee. Based on their experience, Mr. Greving and Mr. Schneider each qualify as an audit committee financial expert, as defined under SEC rules promulgated under the Sarbanes-Oxley Act. All current members of the Audit and Enterprise Risk Committee are independent within the meaning of the regulations adopted by the SEC and the listing requirements adopted by the New York Stock Exchange regarding audit committee membership. The current members also satisfy the financial literacy qualifications of the New York Stock Exchange listing standards. The committee met on 11 occasions in 2011. A copy of the Audit and Enterprise Risk Committee s charter is available on our website at *www.CNOinc.com.*

Governance and Strategy Committee. The Governance and Strategy Committee is responsible for, among other things, establishing criteria for Board membership; considering, recommending and recruiting candidates to fill new positions on the Board; reviewing candidates recommended by shareholders; considering questions of possible conflicts of interest involving Board members, executive officers and key employees; and considering corporate strategy including significant acquisitions or divestitures. It is also responsible for developing principles of corporate governance and recommending them to the Board for its approval and adoption, and reviewing periodically these principles of corporate governance to insure that they remain relevant and are being complied with. The Governance and Strategy Committee currently consists of Mr. Tokarz, Mr. Schneider and Mr. Sievert, with Mr. Tokarz serving as chairman of the committee. All current members of the Governance and Strategy Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding nominating committee membership. The committee held four meetings during 2011. A copy of the Governance and Strategy Committee s charter is available on our website at *www.CNOinc.com.*

Human Resources and Compensation Committee. The Human Resources and Compensation Committee is responsible for, among other things, approving overall compensation philosophy and strategy ; evaluating the performance of the chief executive officer and recommending to the Board the compensation of the chief executive officer; reviewing and approving on an annual basis the evaluation process and compensation structure for the Company s other executive officers as recommended by the chief executive officer; ensuring that appropriate programs and procedures are established to provide for the development, selection, retention and succession of officers and key personnel; and reviewing and administering our incentive compensation and equity award plans. The report of the Human Resources and Compensation Committee appears on page 34 of this Proxy Statement. The Human Resources and Compensation Committee currently consists of Mr. Turner, Mr. Sievert and Mr. Tokarz, with Mr. Turner serving as committee chair. All current members of the Human Resources and Compensation Committee are independent within the meaning of the listing requirements adopted by the New York Stock Exchange regarding compensation committee membership and

qualify as non-employee directors for purposes of Rule 16b-3 of the Securities Exchange Act of 1934 and as outside directors for purposes of Section 162(m) of the Internal Revenue Code. The committee met on 11 occasions in 2011. A copy of the Human Resources and Compensation Committee s charter is available on our website at *www.CNOinc.com.*

Investment Committee. The Investment Committee is responsible for, among other things, reviewing investment policies, strategies and programs; reviewing the procedures which the Company utilizes in determining that funds are invested in accordance with policies and limits approved by it; and reviewing the quality and performance of our investment portfolios and the alignment of asset duration to liabilities. The Investment Committee currently consists of Mr. Bonach, Mr. Long, Mr. Murphy and Mr. Turner, with Mr. Long serving as chairman of the committee. The committee met on four occasions in 2011. A copy of the Investment Committee s charter is available on our website at *www.CNOinc.com.*

Executive Committee. Subject to the requirements of applicable law, including our certificate of incorporation and bylaws, the Executive Committee is responsible for exercising, as necessary, the authority of the Board in the management of our business affairs during intervals between B oard meetings. The Executive Committee currently consists of Mr. Bonach, Mr. Schneider and Mr. Greving, with Mr. Schneider serving as chairman of the committee. The committee met on two occasions in 2011. A copy of the Executive Committee s charter is available on our website at *www.CNOinc.com.*

Director Compensation

Our non-employee directors currently receive an annual cash retainer of $75,000, with the exception of Mr. Murphy, who has declined any director fees. Our non-executive chairman receives a fee equal to 175% of the base cash fees and equity awards paid to the other non-employee directors. The chairs of the Audit and Enterprise Risk Committee and the Human Resources and Compensation Committee each currently receive an additional annual cash fee of $30,000, and directors who chair one of our other Board committees receive an additional annual cash fee of $20,000. Each member of the Audit and Enterprise Risk Committee (including the chairman) receives an additional annual cash retainer of $15,000. Cash fees are paid quarterly in advance. In addition to the cash payments, our non-employee directors currently receive $75,000 in annual equity awards, which vest immediately upon grant. The Board s policy is to review and set the compensation of the non-employee directors each year at the Board meeting that follows the Annual Meeting and to make equity awards to those directors at that time. Directors are reimbursed for out-of-pocket expenses, including first-class airfare, incurred in connection with the performance of their responsibilities as directors. The compensation paid in 2011 to our non-employee directors is summarized in the table below:

DIRECTOR COMPENSATION IN 2011

Name	Fees earned or paid in cash(1)	Stock awards(2)	Total
Robert C. Greving	$102,940	$ 74,996	$177,936
R. Keith Long	107,184	74,996	182,180
Charles W. Murphy	0	0	0
Neal C. Schneider	146,274	131,243	277,517
Frederick J. Sievert	66,552	74,996	141,548
Michael T. Tokarz	94,437	74,996	169,433
John G. Turner	105,000	74,996	179,996
Donna A. James(3)	8,077	0	8,077
R. Glenn Hilliard(3)	14,135	0	14,135
Debra J. Perry(3)	11,538	0	11,538

(1) This column represents the amount of cash compensation paid in 2011 for Board service, for service as Non-Executive Chairman, for service on the Audit and Enterprise Risk Committee and for chairing a committee, as applicable.

(2) The amounts in this column are computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) and represent the grant date fair values for shares of common stock awarded on May 12, 2011. Mr. Schneider received an award of 16,891 shares of common stock on that date and each of the other listed directors (other than Mr. Murphy) received an award of 9,652 shares of common stock. These awards vested immediately upon grant.

The directors had the following number of options outstanding at December 31, 2011 Mr. Schneider (15,400), Mr. Tokarz (15,400) and Mr. Turner (15,400). The average exercise price for the options held by the directors is $20.22.

(3) Retired from the Board effective May 12, 2011, the date of our 2011 Annual Meeting.

Board Leadership Structure

CNO has a non-executive, independent director, who serves as c hairman of the Board. Mr. Schneider was elected Chairman in 2011 and currently serves in that capacity. The Board believes that its leadership structure, with a non-executive chairman position separate from the chief executive officer, provides appropriate, independent oversight of management and the Company. The non-executive chairman of the Board (1) presides at all meetings of the Board and shareholders; (2) presides during regularly held sessions with only the independent directors; (3) encourages and facilitates active participation of all directors; (4) develops the calendar of and agendas for B oard meetings in consultation with the chief executive officer and other members of the Board; (5) determines, in consultation with the chief executive officer, the information that should be provided to the Board in advance of the meeting; and (6) performs any other duties requested by the other members of the Board.

As discussed below, all members of our Board are independent other than Mr. Bonach, our chief executive officer. As CEO, Mr. Bonach, subject to the direction of the Board, is in charge of the business and affairs of CNO and is our chief policy making officer. Our Board and its committees play an active role in overseeing the Company s business. The directors bring a broad range of leadership, business and professional experience to the Board and actively participate in Board discussions. The Board believes that having a non-executive chairman and a Board comprised almost entirely of independent, non-employee directors best serves the interests of our shareholders and the Company.

Board Meetings and Attendance

During 2011, the Board met on nine occasions. Each director attended at least 75% of the aggregate of the meetings of the Board and Board committees on which he served. The independent directors regularly meet in executive session without the chief executive officer or any other member of management. The non-executive chairman presides at such executive sessions.

In addition, CNO has a policy that all directors attend the annual meeting of shareholders. All of our directors attended the annual meeting of shareholders held in 2011.

Director Independence

The Board annually determines the independence of directors based on a review by the directors. Although the Board has not adopted categorical standards of materiality for independence purposes, no director is considered independent unless the Board has determined that he or she has no material relationship

with CNO, either directly or as an officer, shareholder or partner of an organization that has a material relationship with CNO. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The Board considers the New York Stock Exchange guidelines in making its determination regarding independence and the materiality of any relationships with CNO. Under the New York Stock Exchange corporate governance standards, a director is not independent if he or she has been an employee or executive officer of the Company within the last three years. The Board has determined that all current directors other than Mr. Bonach are independent.

Board s Role in Risk Oversight

Enterprise risk management is integral to our business. The Board is responsible for overseeing the Company s risk profile and management s processes for managing risk. The oversight of certain risks, including those relating to the Company s capital structure and capital management is done by the full Board. The Board has delegated primary responsibility for many aspects of the Board s risk oversight to the Audit and Enterprise Risk Committee. The Audit and Enterprise Risk Committee receives reports at its meetings and oversees management s processes for managing enterprise risk, including the risk management process associated with financial controls, insurance reserves, legal, regulatory and compliance risks, and the overall risk management structure, process and function. Other Board committees oversee risk management related to specific functions. The Investment Committee oversees investment and asset-liability management risk. The Human Resources and Compensation Committee oversees risks associated with our compensation programs so that incentives are not provided for inappropriate risk taking, as further discussed below.

Our leadership strongly supports an active and engaged risk management process. CNO has established an enterprise risk management committee comprised of senior management from business units and functions throughout the Company. This enterprise risk management committee meets at least once each quarter and is co-chaired by the chief executive officer and the chief financial officer. The Company has a vice president who is responsible for the coordination of enterprise risk management activities. Reports on different aspects of the Company s enterprise risk management are provided to the Board, to the Audit and Enterprise Risk Committee and to other Board committees, as appropriate, on a regular basis.

As part of its risk oversight responsibilities, the Board and its committees review policies and processes that senior management uses to manage the Company s risk exposure. In doing so, the Board and its committees review the Company s overall risk function and senior management s establishment of appropriate systems and processes for managing insurance risk, interest rate and asset-liability management risk, credit and counterparty risk, liquidity risk, operational risk and reputational risk.

Relationship of Compensation Policies and Practices to Risk Management

The Human Resources and Compensation Committee has reviewed our compensation programs and believes that they carefully balance risks and rewards and do not incentivize inappropriate risk taking. Our incentive plans include multiple performance measures, most of which are financial in nature, and are designed to hold employees accountable for sustained improvement in the core operating performance of the Company. We structure our pay to include both fixed and variable compensation and our variable compensation is capped at no more than two times the target opportunities. In addition, our officers compensation aligns them with shareholder interests through equity-based awards with multiple year vesting.

Approval of Related Party Transactions

Transactions and agreements with related persons (directors, director nominees and executive officers or members of their immediate families, or shareholders owning five percent or more of the Company s outstanding stock) that meet the minimum threshold for disclosure in the proxy statement under applicable SEC rules (generally transactions involving amounts exceeding $120,000 in which a related person has a

direct or indirect material interest) must be approved by the Board or a committee comprised solely of independent directors. In considering the transaction or agreement, the Board or committee will consider all relevant factors including the business reason for the transaction, available alternatives on comparable terms, actual or apparent conflicts of interest and the overall fairness of the transaction to the Company. Any proposed transactions that might be considered a related person transaction are to be raised with the c hairman of the Board or the c hairman of the Governance and Strategy Committee. They will jointly determine whether the proposed transaction should be considered by the full Board (recusing any directors with conflicts) or by a Board committee of independent directors. Related person transactions are to be approved in advance whenever practicable, but if not approved in advance are to be ratified (if the B oard or committee considers it appropriate to do so) as soon as practicable after the transaction.

Various Company policies and procedures, including the Code of Business Conduct and Ethics and annual questionnaires completed by all company directors, officers and employees, require disclosure of transactions or relationships that may constitute conflicts of interest or otherwise require disclosure under applicable SEC rules. Any related person transactions that are identified under these additional policies and procedures are to be considered under the process described above.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees regarding their obligations in the conduct of the Company s affairs. A copy of the Code of Business Conduct and Ethics is available on our website at *www.CNOinc.com*. Within the time period specified, and to the extent required, by the SEC and the New York Stock Exchange, we will post on our website any amendment to our Code of Business Conduct and Ethics and any waiver applicable to our principal executive officer, principal financial officer or principal accounting officer (there have been no such waivers).

Corporate Governance Guidelines

CNO is committed to best practices in corporate governance. Upon the recommendation of the Governance and Strategy Committee, the Company adopted a set of Board Governance Operating Guidelines. A copy of the CNO Board Governance Operating Guidelines is available on our website at *www.CNOinc.com*.

Director Stock Ownership Guidelines

The Board has adopted guidelines regarding ownership of CNO common stock by the directors. These guidelines provide for each director to own shares of common stock with a value of at least three times their annual base cash compensation, and directors are given five years from the date of their initial election to reach that level of ownership. Based on the current base cash compensation for directors of $75,000 per year, the ownership guidelines call for each director to own shares with a value of at least $225,000. As of March 12, 2012, all directors who have served on the Board for at least five years met these stock ownership guidelines.

Succession Planning

The Board is actively involved with the Company s talent management process. Annually, the Board reviews the Company s leadership team, which includes a detailed discussion of succession plans for the chief executive officer and other members of executive and senior management. In addition, the Board regularly discusses the Company s plans for talent development, with a focus on high potential individuals who are in the position to make the most significant contributions to the Company and to serve as its future leaders.

Communications with Directors

Shareholders and other interested parties wishing to communicate directly with the Board or any one or more individual members (including the c hairman of the Board or the non-management directors as a group) are welcome to do so by writing to the CNO Corporate Secretary, 11825 North Pennsylvania Street, Carmel,

Indiana, 46032. The Corporate Secretary will forward any communications to the director or directors specified by the shareholder or other interested party.

Compensation Committee Interlocks and Insider Participation

During 2011, directors who served on the Human Resources and Compensation Committee included the current members (Messrs. Turner, Sievert and Tokarz), Ms. James and Ms. Perry. None of the members of the Human Resources and Compensation Committee during 2011 is or has been one of our officers or employees. None of our executive officers serves, or served during 2011, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Human Resources and Compensation Committee.

Copies of Corporate Documents

In addition to being available on our website at *www.CNOinc.com*, we will provide to any person, without charge, a printed copy of our committee charters, Code of Business Conduct and Ethics and Board Governance Operating Guidelines upon request being made to CNO Investor Relations, 11825 N. Pennsylvania Street, Carmel, Indiana 46032; or by telephone: (317) 817-2893 or email: ir@CNOinc.com.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

CNO Financial Group, Inc. is a Fortune 1000 insurance holding company, with more than $4 billion in annual revenues. CNO s insurance companies are leading providers of supplemental health insurance, life insurance and annuities to working American families and seniors.

CNO delivered very positive financial results in 2011. Net operating income* was up 19% over the previous year, driven in part by increases in our Bankers Life and Other CNO Business segments. The consolidated statutory risk-based capital ratio of our insurance subsidiaries increased 26 percentage points to 358%, and book value per common share, excluding accumulated other comprehensive income (loss),* increased to $18.26 from $16.28. Our results were achieved despite several external factors and internal factors impacting our ability to deliver on our performance goals. In 2011, the capital markets experienced low interest rates, and this is a trend that may continue for the near- and intermediate-term. Like other insurance companies, our financial performance is impacted by low-interest rates. Sustained low rates impact investment income, new sales of annuities, and assessments of reserve adequacy. In terms of our balance sheet, in 2011 we pre-paid $50 million of our senior secured credit agreement, amended our senior secured credit agreement to allow for more flexibility and a reduced rate, and began buying back stock under a $100 million share repurchase plan.

Organizational changes impacted the compensation of three of our Named Executive Officers in 2011. Our Chief Executive Officer, James Prieur, retired in 2011, and Edward Bonach, who had served as our Chief Financial Officer since 2007, became CEO on October 1. Scott Perry, President of Bankers Life, was promoted to the additional position of Chief Operating Officer in July. The next sections address the compensation of the Named Executive Officers other than Mr. Prieur, whose 2011 compensation is addressed in a separate section.

Our mission is to be a premier provider of life insurance, supplemental health products and annuities to America s middle-income consumers with a focus on the retirement ages, while providing value to our shareholders. We believe that our focus on middle-income families and retirees will position us favorably to capitalize on the future growth in these markets. We believe we can accomplish this mission through the effective execution of the following strategies:

- remain focused on the needs of our retirement age and middle income market customers;
- expand and improve the efficiency of our distribution channels;
- seek profitable growth;
- pursue operational efficiencies and cost reduction opportunities;
- continue to manage and where possible reduce the risk profile of our business;
- effectively deploy excess capital; and
- develop and incentivize our management team to ensure that we retain the executive talent needed to achieve our strategic objectives.

We highlight below a number of key actions and decisions with respect to our executive compensation programs taken in 2011 to support our compensation objectives.

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* For a definition of net operating income and for reconciliations of this measure to the corresponding measure under generally accepted accounting principles (GAAP), see Information Related to Certain Non-GAAP Financial Measures on page 54 of this Proxy Statement.

Summary of Key Actions, Decisions and Results in 2011

- *Utilized a one-time restricted stock grant for retention of key executive talent:* Three of the Named Executive Officers were awarded a special restricted stock grant to retain critical skills.

Resumed merit (base salary) increases for the majority of officers (vice president level and above), including the Named Executive Officers: Reflecting general market trends, the Human Resources and Compensation Committee (the Committee) decided to award base salary increases to three of the five Named Executive Officers in 2011.

Reintroduced Operating ROE as a metric for the Washington National (WN) business segment for Annual Cash Incentive Plan. This action followed our decision in 2010 to split the former Conseco Insurance Group segment into Washington National, a growing business which markets and distributes supplemental health and life insurance products, and Other CNO Business, which is comprised primarily of products we no longer sell actively.

Continued to include a mix of stock options, performance shares and restricted stock: Prior to 2010, our annual equity grant consisted of stock options and performance shares (P-Shares). Beginning with the 2010 equity grant, we provided restricted shares in addition to stock options and P-Shares. The addition of restricted shares in the annual equity grant was intended to promote retention and to balance the mix of our equity vehicles; however, the performance-related vehicles (stock options and P-Shares) still constitute a majority of the annual equity grant.

Chief Financial Officer appointed Chief Executive Officer: Mr. Bonach was appointed CEO, effective October 1, 2011. He received commensurate adjustments to his base pay and annual incentive target and maximum opportunities, which were prorated for the months served as CEO. Additional information can be found in the Compensation of Chief Executive Officer on page 30 .

Created Chief Operating Officer position: Mr. Perry, President of Bankers Life, was promoted to the additional role of Chief Operating Officer, effective July 6, 2011. He received a base pay increase commensurate with the expanded scope of the position and the term of his employment agreement was extended for three years.

Changed the treatment upon retirement for the annual incentive program (Pay for Performance or P4P) and LTI program consistent with competitive compensation practices: We changed the treatment of equity and P4P awards upon retirement to provide for continued vesting of equity awards and pro rata payment of P4P awards for those who voluntarily terminate their employment on or after age 62 years (or age 60 with 10 years of employment with CNO).

Strong 2011 P4P results: Driven by strong financial results of the Company and our operating segments, including a 17% increase in net operating income per diluted share, P4P payouts ranged from 121% to 172% of target for the Named Executive Officers.

2009-2011 P-Shares not earned: At the end of the performance period (December 31, 2011), the performance goals for the 2009-2011 P-Share grant were not achieved. Accordingly, no P-Shares vested from this grant.

These key actions, decisions and results delivered the following compensation for our Named Executive Officers in 2011:

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NEO Compensation Resulting from Key 2011 Actions and Decisions

Named Executive Officer	January 1, 2011 Base Salary	Merit (Base Salary) Increase	December 31, 2011 Base Salary(1)	2011 P4P(2)	Retention Award(3)	LTI Award Value(4)
Edward Bonach, Chief Executive Officer and Chief Financial Officer (5)	$510,000	7.8%	$800,0000	$1,043,276	$ 898,860	$1,008,359
Scott Perry, Chief Operating Officer and President Bankers Life	$441,324	7.6%	$ 525,000	$ 798,160	$ 601,350	$ 878,952
Eric Johnson, President 40|86 Advisors	$500,000	0%	$ 500,000	$ 857,562	$	$ 878,952
Steven Stecher, President Washington National	$412,000	3.2%	$ 425,000	$ 511,454	$ 297,510	$ 878,952

(1) Mr. Bonach s base salary was increased from $550,000 to $800,000 upon his promotion to CEO effective October 1, 2011, and Mr. Perry s base salary was increased from $475,000 to $525,000 upon his promotion to COO effective July 6, 2011.

(2) P4P, or Pay for Performance , is our annual management cash incentive plan.

(3) Provided in the form of restricted shares, expressed here in terms of grant date fair value. These grants were made on January 31, 2011.

(4) Expressed as the grant date fair value of stock options, performance shares and restricted shares made in March 2011.

(5) Mr. Bonach s 2011 P4P opportunity increased from 100% to 125% of his base salary when he assumed the role of CEO on October 1, 2011 consistent with the opportunity provided to the previous CEO.

Summary of Compensation Governance Practices

The Committee strives to maintain good governance standards in our compensation practices. They include:

Implemented Stock Ownership Guidelines: In May 2011, the Committee approved stock ownership guidelines for the Chief Executive Officer and the senior executive officers who report to him.

No significant perquisites offered: Our executives participate in broad-based Company-sponsored benefits programs on the same basis as other full-time associates.

Change in control agreements are governed by double trigger arrangements: All employment agreements and equity award agreements for Named Executive Officers and other senior executives require a termination of employment in addition to a change in control of the Company before change in control benefits are triggered.

No Supplemental Executive Retirement Programs (SERPs) offered: We do not offer SERPs to our current executives.

Independence of executive compensation consultant: The executive compensation advisor to the Committee continues to meet the SEC s requirements for independence. Aon Hewitt does not provide any compensation-related services to management and had no prior relationship with our Chief Executive Officer or other Named Executive Officers.

Independence of Committee Members: All Committee members are independent.

Percent of Variable and Performance-Based Pay: Variable pay comprises between 68% and 75% of Total Direct Compensation (as described below) for our Named Executive Officers, with the majority of variable pay coming in long-term incentives.

Continued to utilize a Governor in the Annual Incentive Plan: In 2011, we continued a policy adopted in 2009 which limits P4P payments on non-income-related metrics when we do not achieve overall threshold operating earnings.

Strong Clawback Rights: Our P4P and LTI plans have clawback provisions that include recapture rights of any incentive amount paid or vested in the event that the Committee determines that the achievement of performance goals was based on incorrect data.

Assessing level of risk: The Committee annually assesses the level of risk associated with our incentive plans.

Ongoing succession planning: The Committee regularly engages throughout the year in in-depth discussions regarding succession planning and talent development of our executives.

Philosophy, Objectives and Role of Human Resources and Compensation Committee

Philosophy

The Committee, which is comprised solely of independent, non-employee Directors, has developed a philosophy and a comprehensive compensation and benefits strategy to reward overall and individual performance that drives long-term success for our shareholders.

Our compensation philosophy consists of the following guiding principles:

Pay for Performance: Rewards will vary based on company, business segment and individual performance.

Target Total Rewards Position: The overall rewards will be competitive by targeting compensation at approximately the median of the relevant comparator group with additional compensation for achieving superior performance.

Relevant Comparator Group: We will utilize a relevant comparator group of companies in the insurance/financial services industry and general industry where appropriate, taking both asset size and revenue into consideration, which includes the best available data for comparison with our peers and companies with which we compete for executive talent.

Pay for Performance Objectives

The Committee strives to provide a clear reward program that allows us to attract, incentivize and retain seasoned executive talent with the significant industry experience required to continue to improve our performance and build long-term shareholder value. To achieve this, our programs are designed to:

Reward sustainable operational and productivity improvements. This means that (1) we set performance goals under our P4P plan at targeted performance levels for key financial metrics and (2) we set multi-year performance goals for our P-Share (performance share) awards;

Align the interests of our executives with those of our shareholders by rewarding shareholder value creation;

Integrate with the Company-wide annual performance management program of goal setting and formal evaluation;

Provide for discretion to make adjustments and modifications based upon how well individual associates meet our performance standards for expected achievement of business results, as well as uphold our values and critical behaviors; and

Offer the opportunity to earn above-market compensation when overall and individual performances exceed expectations.

Target Total Rewards and Selection of the Comparator Groups

In setting target executive compensation opportunities, our Committee looks at Total Annual Cash (which is comprised of base salary and target cash incentives) and Total Direct Compensation (which is the sum of Total Annual Cash and long-term incentives). Our long-term incentives may include annual stock option awards as well as restricted shares and P-Share awards. The Committee intends to compensate our executives at approximately the 50th percentile (meaning within a range of +/- 15% of the 50th percentile dollar value) for total compensation, for the achievement of target performance, with additional compensation opportunities for the achievement of superior results.

The Committee assesses competitive market compensation annually using a number of sources. Historically, the Company has used the suite of surveys from Towers Watson and compared our executives to the Insurance/Financial Services Industry participants with assets between $15 $60 Billion, the General Industry participants with revenues between $2 $8 Billion and the Life Office Management Associate (LOMA) Executive Survey participants. We continued to use these surveys in 2011. In addition, in determining the compensation for the new CEO and COO, at the recommendation of the independent compensation consultant, the Committee elected to begin reviewing targeted proxy data from a select group of peer companies identified below for the Named Executive Officers and also comparing our other executives to the Diversified Insurance Study published by Towers Watson. Both of these sources provide a much more focused analysis of very specific industry peers with whom the Company competes for talent. We will continue to use our peer companies for the Named Executive Officers as the relevant comparator group and all other executives will be compared to the Towers Watson Diversified Industry Study in 2012.

Peer Companies:

American Financial Group, Inc.	Principal Financial Group, Inc.
Assurant , Inc .	Protective Life Corporation
Cincinnati Financial Corporation	Reinsurance Group of America Incorporated
Delphi Financial Group, Inc.	StanCorp Financial Group, Inc.
Genworth Financial, Inc.	Torchmark Corporation
HCC Insurance Holdings, Inc.	Universal American Corp.
Kemper Corporation	Unum Group
Lincoln National Corporation	

Although aggregate pay levels are generally consistent with our compensation philosophy, it is possible that pay levels for specific individuals may be above or below the targeted competitive benchmark levels based on a number of factors, including each individual s role and responsibilities within our Company, the individual s experience and expertise, the pay levels for peers within the Company, and the pay levels for similar job functions in the marketplace. The Committee is responsible for approving all compensation programs for our senior executive officers. In determining executive compensation, the Committee considers all forms of compensation and benefits, and uses appropriate tools such as tally sheets and market studies to review the value delivered to each executive through each component of compensation.

Tally sheets provide a vehicle for the Committee to examine external market practices and compare them to our internal evaluations and decisions. Our tally sheets capture and report:

Competitive external market data on a base salary, Total Annual Cash and Total Direct Compensation basis;

Individual Total Annual Cash compensation including annual salary, target bonus opportunity, and actual bonus paid;

Long-term equity grants and their vesting status and value at a hypothetically established share price; and

Employment agreement terms and conditions.

Competitive market data is used as a reference point, and we avoid automatic adjustments based on annual competitive benchmarking data, since we believe a given executive s compensation should also reflect Company-specific factors such as the relative importance of the role within the organization, the compensation for other positions at the same level, and individual factors such as experience, expertise, and individual performance.

In addition to the objective review of external factors, the Committee also considers internal equity among colleagues when determining executive compensation levels. This means that, although the Committee examines competitive pay data for specific positions, market data is not the sole factor considered in setting pay levels. The Committee also considers factors such as our organizational structure and the relative roles and responsibilities of individuals within that structure. The Committee believes that this approach fosters an environment of cooperation among executives that improves sales growth, profitability and customer satisfaction.

Realized total compensation in any year may be significantly above or below the target compensation levels depending on whether our incentive goals were attained and whether shareholder value was created. In some cases, the amount and structure of compensation results from negotiations with executives at the time they were hired, which may reflect competitive pressures to attract and hire quality executive talent in the insurance industry. To help attract and retain such talent, the Committee also seeks to provide a level of benefits in line with those of comparable publicly traded companies without matching such benefits item by item.

Role of the Human Resources and Compensation Committee

The Committee determines the components and amount of compensation for our executive officers and provides overall guidance for our employee compensation policies and programs. In addition, the Committee actively monitors our executive development and succession planning activities related to our senior executives and other members of management. Currently, there are three members of our Board of Directors who sit on the Committee, each of whom is an independent director under the New York Stock Exchange listing requirements, the exchange upon which our stock trades. From time to time, other Board members may also participate in the Committee s meetings. The full Board of Directors receives regular reports of Committee deliberations and decisions and, at least once annually, the full Board reviews the Committee s written evaluation of the Chief Executive Officer s performance evaluation and compensation. The Committee s functions are more fully described in its charter, which can be found on our website at *www.CNOinc.com*.

In making executive compensation decisions, the Committee receives advice from its independent compensation consultant, Aon Hewitt. As an independent consultant, any services performed by Aon Hewitt for our Company are at the Committee s direction. Aon Hewitt did not have a prior relationship with the Chief Executive Officer or any of our executive officers at the time the Committee initially engaged Aon Hewitt in October 2008. Other than its services to the Committee, Aon Hewitt does not provide any other compensation-related services to our management.

Although Aon Hewitt is retained directly by the Committee, Aon Hewitt personnel interact with our executive officers as needed, specifically the Chief Executive Officer, Executive Vice President of Human Resources, Executive Vice President and General Counsel , and Chief Financial Officer, and their staffs to provide the Committee with relevant compensation and performance data for our executives and the Company. In addition, Aon Hewitt personnel may interact with management to confirm information, identify data questions, and/or exchange ideas.

As requested by the Committee, Aon Hewitt s services to the Committee in 2011 included:

Providing competitive analysis of total compensation components for our senior executive officers, including our Named Executive Officers;

Researching competitive and emerging compensation practices;

Attending Committee meetings, in person and telephonically;

Reviewing and evaluating changes to the executive compensation philosophy and proposed plan changes; and

Assisting with the assessment of the risk taking incentives of our compensation plans.

In making its decisions, the Committee collects and considers input from multiple sources. The Committee may ask senior executive officers to attend Committee meetings where executive compensation, overall and individual performance are discussed and evaluated. During these meetings, executives provide insight, suggestions or recommendations regarding executive compensation. Deliberations generally occur with input from Aon Hewitt, members of management and other Board members. However, only the members of the Committee make decisions regarding executive compensation. In the case of Chief Executive Officer compensation, these decisions are submitted to the full Board for its review and approval.

The Compensation Committee reviewed the results of the shareholder vote on the Say on Pay proposal from the 2011 Annual Meeting, at which approximately 89% of the votes cast were for approval of the Company s 2010 executive compensation as described last year s proxy statement. After consideration of the positive voting results and its discussion with Aon Hewitt, the Committee determined that its approach to compensation is balanced and effective and made no fundamental changes to the program for fiscal year 2011.

Compensation Components

Our compensation program is composed of the following components:

Base salary;

Annual cash incentives (P4P);

Long-term equity incentives (stock options, P-Shares and restricted shares); and

Benefits.

Table 1 summarizes information about the target level of 2011 Total Annual Cash (TAC) and Total Direct Compensation (TDC) for our Named Executive Officers. This table differs from the Summary Compensation Table on page 35 in that values generally represent target amounts and equity grants which are part of our normal long-term incentive program for 2011 only. Further discussion about these compensation components can be found later in this section. Each component is discussed with a brief description of the strategy, plan design and plan performance. This table does not reflect the grant date fair values of the special retention restricted share awards granted in 2011, details of which can be found in the Special Retention Awards section below.

Table 1 Summary of Components of TDC in 2011(1)

Named Executive Officer	Base Salary	Target Incentive (% of Salary)	Target Total Annual Cash	Stock Option Value(2)	P-Share Value(2)	R-Share Value(2)	Total LTI Value(2)	
Edward Bonach, Chief Executive Officer and Chief Financial Officer	$ 800,000(5)	125%(6)	$ 1,457,288	$ 541,943	$ 233,208	$ 233,208	$ 1,008,359	$ 2
% Change vs. 2010(4)	*57%*		*43%*				*6%*	
% of TDC	*32%*		*59%*				*41%*	
Scott Perry, Chief Operating Officer and President Bankers Life & Casualty	$ 525,000(7)	100%	$ 1,019,354	$ 471,576	$ 203,688	$ 203,688	$ 878,952	$ 1
% Change vs. 2010(4)	*19%*		*15%*				*15%*	
% of TDC	*28%*		*54%*				*46%*	
Eric Johnson, President 40|86 Advisors	$ 500,000	100%	$ 1,000,000	$ 471,576	$ 203,688	$ 203,688	$ 878,952	$ 1
% Change vs. 2010(4)	*0%*		*0%*				*27%*	
% of TDC	*27%*		*53%*				*47%*	
Steven Stecher, President Washington National Insurance Company	$ 425,000	100%	$ 848,005	$ 471,576	$ 203,688	$ 203,688	$ 878,952	$ 1
% Change vs. 2010(4)	*3%*		*3%*				*2%*	
% of TDC	*25%*		*49%*				*51%*	

(1) Annual Incentive expressed as Target levels, value of equity expressed as grant date fair value.

(2) Represents stock option, performance share and restricted share grant date fair values made during the annual grant; actual value earned will depend on stock price appreciation and achievement of performance metrics at time of vesting. Valuation methodology is discussed later in this document.

(3) TDC includes Target TAC and the value of equity provided at the time of the annual grant.

(4) The 2011 mix of equity vehicles remained the same from 2010 with stock options, P-Shares and restricted shares.

(5) Base salary reflects a merit increase awarded in February 2011 as well as a promotional increase in October 2011.

(6) Target Incentive reflects role as Chief Executive Officer.

(7) Base salary reflects a merit increase awarded in February 2011 as well as a promotional increase in July 2011.

Compensation Mix

In delivering compensation to our Named Executive Officers, the mix of pay is heavily weighted to variable, performance-based pay (currently between 68% and 75% of TDC , with the majority of variable pay coming in long-term incentives) with base salary comprising a relatively small portion of TDC (between 25% and 32%) for the Named Executive Officers. The focus of the pay mix on variable pay elements continues to support our objectives of pay for performance and shareholder value creation.

Base Salaries

Strategy

In establishing base salaries, the Committee begins by targeting the 50th percentile of the competitive market and adjusts upwards or downwards as appropriate to reflect each position s responsibilities and each individual s experience level, unique skills or competencies. Base salaries generally range from the 25th

percentile (for recently promoted employees or those who otherwise lack experience) to the 75th percentile (for high performers with significant industry experience) of the competitive market data. Annual reviews of executives base salaries consider numerous factors, including:

Job responsibilities;

Impact on the development and achievement of our strategic initiatives;

Competitive labor market pressures;

Company performance for the prior 12 months;

Individual performance for the prior 12 months, as expressed in the executive s performance review; and

Salaries paid for comparable positions within our relevant comparator group.

No specific weighting of these factors is used. However, given our desire for a performance-based culture, the Committee s use of discretion generally results in increases for our top performers and little or no increases in base salary for average or lower performing employees.

2011 Merit Increases

Based on Company performance, a review of general trends, and an analysis of positioning relative to the comparator market data the Committee awarded cash base salary increases to three of the Named Executive Officers in addition to most of the other executives in February 2011. Mr. Bonach received an increase of 7.8%, Mr. Perry received an increase of 7.6% and Mr. Stecher received an increase of 3.2% due to their respective individual performances and contributions and the market data for their respective positions.

The Board appointed Mr. Perry to the position of Chief Operating Officer of the Company in addition to his role as President of Bankers Life. On August 16, 2011, the Committee approved an increase to Mr. Perry s base annual salary from $475,000 to $525,000 effective July 6, 2011, the date of his appointment. No equity grants were awarded for his appointment to Chief Operating Officer.

The Board appointed Mr. Bonach to the position of Chief Executive Officer effective October 1, 2011 and increased his base annual salary from $550,000 to $800,000. Further discussion on the increase is included under Compensation of the Chief Executive Officer on page 31 .

Annual Cash Incentives

Strategy

Our annual incentive plan, the Pay for Performance Plan (P4P), is designed to focus on and reward achievement of annual performance goals. It is the broadest of our management incentive programs, covering our Named Executive Officers and other key employees. All participants in the P4P plan, including our Named Executive Officers, are assigned target incentive opportunities expressed as a percentage of base salary.

2011 Pay for Performance (P4P) Plan Design

During February 2011, the Committee reviewed the P4P plan design for 2011 in order to ensure alignment between shareholder and participant interests, to keep senior executives focused on the financial performance of the enterprise, to improve alignment with financial metrics that participants influence and to select operational/business metrics that drive financial success. This review was accomplished by focusing on the selection of appropriate performance metrics and the determination of performance levels which would contribute to financial success. As a result of this review, most performance metrics and weightings remained the same, except that Operating Return on Equity for the Washington National business segment (Earnings Before Interest and Taxes less Washington National s proportional share of corporate expense and interest on

debt, after tax) was reintroduced. Additional metrics which continued to be part of 2011 incentive plans applicable to Named Executive Officers include:

- Operating Earnings Per Share (EPS), defined as net operating income, after taxes and preferred stock dividends but excluding the impact of realized gains/losses, divided by the diluted average number of shares outstanding. The Committee believes Operating EPS is a key measure of our operating performance, is less impacted by the volatility of the market and is directly impacted by management during the calendar year.

- Combined and Business Segment Earnings Before Interest and Taxes (EBIT), where Combined EBIT is a corporate roll-up of individual business segment EBIT. In the Committee s view, this metric enhances line of sight for our operating management and increases their focus on improving the longer-term core profitability of our operations.

- Combined and Business Segment Value of New Business (VNB), which calculates the present value of expected profits from product sales. The selection of VNB is based on the Committee s desire to have an increased focus on growing the economic value of sales from the most profitable products as opposed to top-line sales.

- Combined Operating Expense, which is the total amount of expense incurred to operate the business excluding claims costs and benefits paid to policyholders. The selection of this metric represents the Committee s belief that managing operating expenses contributes to our long-term profitability and operating efficiency.

- Business Segment Operating ROE, which is net operating income (EBIT less each segment s proportional share of corporate expenses and interest on debt, after tax) divided by GAAP Equity. This metric represents the Committee s desire to encourage efficient use of capital at the business segment level.

- GAAP Yield, which is period investment income (net of expenses), divided by average invested assets for the same period.

- GAAP Investment Income, which is the income earned on general account invested assets, net of expenses.

Limiting the number of metrics to no more than four for any individual participant enhances the simplicity and effectiveness of the P4P plan. The program is designed to pay additional compensation when the Company achieves superior performance.

Our plan design rewards a threshold level of financial performance which corresponds to 25% of target payout; target level of performance which provides 100% of target payout; and a maximum level of performance and payout of 200% of target. Any payout between these financial performance goals is determined through straight line interpolation between the appropriate levels of performance. Consistent with our compensation philosophy, target annual incentive levels are established to generate Total Annual Cash compensation at competitive market median levels. Further, in 2011, we continued a policy that the threshold level of performance for combined EBIT must be achieved before there can be any above-target payouts with respect to other financial and operational metrics. This policy limits incentive payments on non-income-related metrics when threshold operating earnings are not achieved by the enterprise.

Although we have a large net operating loss carry-forward (as a result of our emergence from bankruptcy in 2003), the Committee continues to administer the P4P and long-term incentive plans so that payments qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. However, the Committee does reserve the right to make discretionary awards that do not qualify as performance-based compensation under Section 162(m) to the extent it deems it necessary or advisable to do so.

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Change to Treatment of Retirement

Based on the independent consultant review of competitive compensation practices, effective September 30, 2011 the Committee approved changes to the treatment of P4P awards upon retirement. For this purpose, Retirement means voluntary termination of employment after achieving either (a) 62 years of age or (b) 60 years of age with at least 10 years of employment with the Company. Those who voluntarily terminate under these conditions after September 30, 2011, will receive a pro rata portion of any pay for performance award (based on the number of days from the beginning of the performance period until the date of Retirement divided by the total number of days in the performance period) and, to the extent the performance criteria are met, such pro rata amount will paid at the same time as others receive payments under such P4P award. Prior to the approved change, there were no pro rata payments for any pay for performance award upon retirement. We believe that this new policy will help attract mid-career hires and makes the treatment of compensation at retirement more competitive with peer companies.

Table 2 summarizes the 2011 financial metrics and weightings for our Named Executive Officers under the P4P plan:

Table 2 Summary of 2011 P4P Metrics and Weightings for Named Executive Officers

Named Executive Officer	Metric Weighting	Metric Weighting	Metric Weighting	Metric Weighting
Edward Bonach	Operating EPS 50%	Combined EBIT 20%	Combined Operating Expense 15%	Combined Value of New Business 15%
Scott Perry(1)	Combined EBIT 40%	Bankers ROE 20%	Bankers Operating EBIT 20%	Bankers Value of New Business 20%
Scott Perry(2)	Combined EBIT 40%	Operating EPS 20%	Bankers Operating EBIT 20%	Bankers Value of New Business 20%
Eric Johnson	Operating EPS 50%	GAAP Yield 25%	GAAP Investment Income 25%	
Steven Stecher	Combined EBIT 40%	WN ROE 20%	WN Operating EBIT 20%	WN Value of New Business 20%

(1) P4P Metrics and Weighting in Mr. Perry s role as President, Bankers Life from January 1 July 5, 2011

(2) P4P Metrics and Weighting in Mr. Perry s role as Chief Operating Officer and President, Bankers Life from July 6 December 31, 2011

Table 3 provides a summary of 2011 performance targets for our Named Executive Officers under the P4P plan.

Table 3 Summary of 2011 P4P Performance Targets and Actual Results for Named Executive Officers

	Performance Targets			
Metric	**Threshold**	**Target**	**Maximum**	**YE Actual Results**
Corporate				
Operating EPS	$ 0.62	$ 0.68	$ 0.73	$ 0.76
Combined EBIT	$ 325.0 MM	$ 378.9 MM	$ 416.8 MM	$ 419. 4 MM
Combined Operating Expense	$ 616.7 MM	$ 587.3 MM	$ 557.9 MM	$ 595.1 MM
Combined Value of New Business	$ 65.0 MM	$ 76.4 MM	$ 84.0 MM	$ 68.0 MM
Bankers Life				
ROE	9.5%	10.6%	12.7%	12.2%
Operating EBIT	$ 250.4 MM	$ 278.2 MM	$ 333.8 MM	$ 327.2 MM
Value of New Business	$ 44.5 MM	$ 52.4 MM	$ 60.3 MM	$ 45.1 MM
Washington National				
ROE	8.1%	9.0%	10.8%	8.4%
Operating EBIT	$ 90.0 MM	$ 100.0 MM	$ 120.0 MM	$ 99.2 MM
Value of New Business	$ 11.8 MM	$ 13.1 MM	$ 15.1 MM	$ 12.4 MM
40|86 Advisors				
GAAP Yield	5.80%	5.95%	6.10%	6.02%
GAAP Investment Income	$ 1,251.0 MM	$ 1,317.4 MM	$ 1,383.0 MM	$ 1,341.9 MM

Table 4 provides the threshold, target and maximum payouts for each of our Named Executive Officers under the P4P plan.

Table 4 Summary of 2011 P4P Opportunities for Named Executive Officers

Named Executive Officer	Threshold Payout (as % of Salary)	Target Payout (as % of Salary)	Maximum Payout (as % of Salary)
Edward Bonach(1)	25%	100%	200%
Edward Bonach(2)	31.25%	125%	250%
Scott Perry	25%	100%	200%
Eric Johnson	25%	100%	200%
Steven Stecher	25%	100%	200%

(1) P4P Opportunity for Mr. Bonach in his role as Chief Financial Officer from January 1 September 30, 2011.

(2) P4P Opportunity for Mr. Bonach in his role as Chief Executive Officer from October 1 December 31, 2011. Mr. Bonach s opportunity is higher to reflect competitive norms for the Chief Executive Officer position.

2011 P4P Plan Performance

As reported, financial results yielded aggregate performance ranging from 121% to 172% of target for Named Executive Officers. All P4P metric results achieved the threshold level of performance, with the majority of them achieving more than the target level of performance.

Table 5 sets forth the actual bonuses earned for 2011 by our Named Executive Officers pursuant to our P4P plan.

Table 5 2011 P4P Actual Bonuses

Named Executive Officer	Amount
Edward Bonach	$1,043,276
Scott Perry	798,160
Eric Johnson	857,562
Steven Stecher	511,454

Long-Term Equity Incentives

Design and Strategy

The Committee uses long-term equity incentives to balance the short-term focus of the P4P program by tying rewards to performance achieved over multi-year periods. Under the Amended and Restated Long-Term Incentive Plan, the Committee may grant a variety of long-term incentive awards, including stock options, stock appreciation rights, restricted stock or restricted stock units, and performance shares or units, settled in cash or stock. We use stock options, performance shares, and restricted shares as our long-term compensation vehicles.

To focus executives efforts on longer-term results, we have historically granted awards of stock options that generally vest over three years, performance shares that vest at the end of a three-year period, and restricted stock awards that vest after no less than two years. Recent stock option grants vest in equal installments in the second and third years from the anniversary date of grant, and performance shares are measured over a three-year performance period at which time they will vest only if the financial goals have been achieved. Unless otherwise noted, grants to our Named Executive Officers have vesting schedules identical to those for other executives. To vest in long-term equity incentive awards, employees must generally continue to work for us through the vesting dates or satisfy the definition of Retirement adopted in 2011.

Our current granting process involves developing long-term incentive grant values (by position level) for groups of executives, including our Named Executive Officers. Within these general grant guidelines, individual awards may be adjusted up or down to reflect the performance of the executive and his or her potential to contribute to the success of our initiatives to create shareholder value, as well as other individual considerations. The Committee also assesses aggregate share usage and dilution levels in comparison to general industry norms. Through this method, the Committee believes it is mindful of total cost, grants awards that are competitive within the market, promotes internal equity and reinforces our philosophy of pay for performance.

The Committee reviews and approves individual grants for the Named Executive Officers as well as all stock option, performance share (P-Share) and restricted share (R-Share) grants made to other executives under the purview of the Committee. Annual grants for all officers are reviewed and approved at the Committee s scheduled meeting at approximately the same time each year and may be granted only with an exercise price at or above the closing market price of our common stock on the date of grant (Fair Market Value). Interim or off-cycle grants are reviewed and approved by the Committee and granted at the closing market price of our common stock on the date of approval for executives under the purview of the Committee. The Chief Executive Officer has been authorized by the Committee to utilize a designated number of shares each year to grant equity awards to non-Section 16 executives to reward, motivate and/or retain such employees, as deemed necessary by the CEO. Such awards are periodically reviewed by the Committee.

In past years, we delivered stock option grants to approximate the 50th percentile of the relevant comparator group and P-Shares, if earned, to approximate the 75th percentile of the relevant comparator group. In 2011, as in 2010, the Committee decided that Total Direct Compensation, comprised of base salary, target annual cash incentives and target long-term equity incentive awards, should approximate the median of our relevant comparator group.

Change to Treatment of Retirement

Based on the independent consultant review of competitive compensation practices, effective September 30, 2011 the Compensation Committee approved changes to the treatment upon retirement of stock options, restricted stock and performance share awards made under the LTI Plan. For this purpose, Retirement means voluntary termination of employment after achieving either (a) 62 years of age or (b) 60 years of age with at least 10 years of employment with the Company. The awards outstanding under the LTIP Plan will be treated as follows upon an individual s Retirement:

- the stock options granted which remain outstanding at the date of Retirement will continue to vest on the dates included in the award agreements relating to the options and for each such option award the recipient may exercise the options until the earlier of (x) the expiration date for such options or (y) five years after the date of Retirement;

- any unvested restricted stock granted will continue to vest after Retirement on the same vesting schedule as if the employee had remained employed; and

- a pro rata portion of any performance shares granted will vest (based on the number of days from the beginning of the performance period until the date of Retirement divided by the total number of days in the performance period) and, to the extent the performance criteria are met, such pro rata portion shall be paid at the same time as others receive payments under such performance share award.

Prior to this change, all vesting ceased on the date of retirement for outstanding equity grants, and vested stock options continued to be exercisable for 90 days after termination date.

Equity Grants in 2011

The Committee established the annual target for all long-term equity incentive grants based on competitive market data. The approach was intended to deliver median Total Direct Compensation using a combination of stock options, P-Shares and R-Shares. In 2011, the Committee reinstated its practice of using a 15-day average of our stock price to calculate the number of shares granted to each executive. We continued to use a Black-Scholes valuation model as in previous years to determine option values.

In 2011, we delivered mix of stock options (50%), P-Shares (25%) and R-Shares (25%). This mix was designed to address retention concerns and balance the mix of equity vehicles used, although the performance elements (stock options and P-Shares) make up the majority of total long-term equity incentives. The P-Shares awarded in 2011 vest based on our average Pre-Tax Operating Income (as defined below) over the course of the three-year performance period ending December 31, 2013 and have up-side opportunity of 150% of the target award.

Table 6 shows the annual equity awards granted to our Named Executive Officers in 2011 (excluding the special equity retention awards).

Table 6 2011 Annual Equity Grants

	2011 Grant		
Named Executive Officer	**Stock Options**	**Restricted Shares**	**Performance Shares**

	2011 Grant		
Edward Bonach	95,500	31,600	31,600
Grant Date Fair Value:	*$541,943*	*$233,208*	*$233,208*
Scott Perry	83,100	27,600	27,600
Grant Date Fair Value:	*$471,576*	*$203,688*	*$203,688*
Eric Johnson	83,100	27,600	27,600
Grant Date Fair Value:	*$471,576*	*$203,688*	*$203,688*
Steven Stecher	83,100	27,600	27,600
Grant Date Fair Value:	*$471,576*	*$203,688*	*$203,688*

Long-Term Incentive Program Performance for Awards Granted in 2009, 2010 and 2011

2009 2011 P-Share Performance

P-Share vesting for the 2009 2011 grant was based on the achievement of one-year Operating Return on Equity in year three (2011) of the performance period. We believed that increased Operating Return on Equity was a good measure of fundamental operating improvement in our Company that would drive shareholder value. For the 2009 2011 grant, we intended to deliver compensation at the 50th percentile of the relevant comparator group. At the end of the performance period (December 31, 2011), the performance goal indicated above was not achieved. Accordingly, no P-Shares vested from this grant.

2010 2012 and 2011 2013 P-Share Performance Metrics and Targets

P-Share vesting for the 2010 2012 and 2011 2013 grants is based on three year averages of Pre-Tax Operating Income, $270.0 million and $315.7 million at target, respectively. Both grants are tracking towards an above target payout.

Table 7 shows the opportunities for Named Executive Officers related to P-Share vesting, depending on the level of performance achieved in relation to the associated grant metrics.

Table 7 P-Share Opportunities for Named Executive Officers in 2011

Named Executive Officer	Threshold (as % of Target Shares)	Target (as % of Target Shares)	Maximum (as % of Target Shares)
Edward Bonach	25%	100%	150%
Scott Perry	25%	100%	150%
Eric Johnson	25%	100%	150%
Steven Stecher	25%	100%	150%

Special Retention Awards

In January 2011 a special equity retention grant of restricted shares was awarded to Mr. Bonach, Chief Financial Officer at the time, Mr. Perry, President Bankers Life at the time, and Mr. Stecher, President Washington National. The vesting of the restricted shares is subject to their continued employment with one-half of the restrictions lapsing in December 2012 and the remaining one-half lapsing in December 2013. These awards were made to recognize Mr. Bonach s, Mr. Perry s, and Mr. Stecher s individual performance, critical skill set, and leadership, and to ensure continued employment through critical milestones.

Table 8 sets forth these special restricted share awards made to Named Executive Officers in 2011.

Table 8 2011 Special Retention Awards for Named Executive Officers

Named Executive Officer	Restricted Shares	Grant Date Value
Edward Bonach	142,000	$898,860
Scott Perry	95,000	$601,350
Steven Stecher	47,000	$297,510

Other Benefits

Our Named Executive Officers are eligible to participate in all of the broad-based Company-sponsored benefits programs on the same basis as other full-time employees. These include our health and welfare benefits, such as our medical/dental plans, disability plans and life insurance. We do not offer any supplemental executive health and welfare programs. Executives may also participate in our 401(k) Plan. The Company also has a non-qualified deferred compensation plan. This plan is primarily intended as a restoration plan, giving participants the ability to defer their own compensation above the Internal Revenue Service limits imposed on the 401(k) Plan. At present, we do not make regular contributions to the non-qualified deferred compensation plan in addition to the amounts contributed by our executives.

Compensation of the Chief Executive Officer

Effective October 1, 2011, Mr. Bonach was appointed Chief Executive Officer and retained the responsibilities of the Chief Financial Officer while the Company underwent a search for a new Chief Financial Officer. Mr. Bonach continued to be the Chief Financial Officer until January 23, 2012.

As Chief Executive Officer, Mr. Bonach s total compensation components were determined in accordance with the compensation philosophy described above, including the policy of targeting our compensation within our competitive market . In setting his salary, target incentive and equity compensation, the Committee relied on market competitive pay data and the strong belief that the Chief Executive Officer significantly and directly influences our overall performance.

On August 17, 2011, the Board approved the following changes to the employment agreement with Mr. Bonach in connection with his promotion to Chief Executive Officer:

An increase in his annual base salary from $550,000 to $800,000 effective October 1, 2011;

An increase under the Company s pay for performance plan of his target and maximum bonuses to 125% and 250%, respectively , of his annual salary, effective October 1, 2011 (through September 30, 2011, his target bonus was 100% of his annual salary and his maximum bonus was 200% of his annual salary); and

An extension of the expiration date of his employment agreement to October 1, 2014.

An equity grant was not awarded in connection to his appointment to Chief Executive Officer.

Based on the achievement of Operating EPS at $0.76 per share, Combined EBIT of $419. 4 million, Combined VNB of $68.0 million and Combined Operating Expense of $595.1 million for the year ended December 31, 2011, Mr. Bonach s P4P payment for 2011 was $1,043,276.

Compensation of the Former Chief Executive Officer

Mr. Prieur s base salary, target incentive, and equity compensation awards for fiscal 2011 were determined in accordance with the compensation philosophy described above, including the policy of targeting our compensation within our competitive market.

In March 2011, based on the competitive placement of his base salary relative to his peers in the market, Mr. Prieur did not receive a base salary increase or change to his target annual incentive opportunity in 2011. Through the delivery of equity, the Committee strengthened the alignment of Mr. Prieur s compensation with the interests of our shareholders.

Named Executive Officer	Base Salary	Target Incentive(P4P) (% of Salary)(1)	Target Total Annual Cash	Stock Option Value(2)	P-Share Value(2)	R-Share Value(2)	Total LT Value(2
James Prieur, Former Chief Executive Officer	$900,000	125%	$2,025,000	$1,077,645	$ 465,678	$ 465,678	$ 2,009,00
% Change vs. 2010(4)	0%		0%				
% of TDC	22%		50%				5

(1) Annual Incentive expressed as Target level. The percent of salary Mr. Prieur would receive at threshold was 31.25% and at maximum the percent of salary would be 250%.

Mr. Prieur s P4P 2011 Metrics (and their respective weightings) were Operating EPS (50%), Combined EBIT (20%), Combined Operating Expense (15%), and Combined VNB (15%).

(2) Represents stock option, performance share and restricted share grant date fair values made during the annual grant.

(3) TDC includes Target TAC and the value of equity provided at the time of the annual grant.

(4) The 2011 mix of equity vehicles remained the same from 2010 with stock options, P-Shares and restricted shares, and the overall grant value continued to target the market median.

On July 6, 2011, the Company announced that Mr. Prieur had decided to retire as of September 30, 2011. On August 17, 2011, the Board approved the following items relating to his retirement:

Mr. Prieur was entitled to receive a pro rata portion (through the date of his retirement) of his pay for performance bonus based on the Company s results for the year ending December 31, 2011 under previously established performance measures;

Based on the achievement of Operating EPS at $0.76 per share, Combined EBIT of $419. 4 million, Combined VNB of $68.0 million and Combined Operating Expense of $595.1 million for the year ending December 31, 2011, Mr. Prieur s prorated incentive payment for 2011 was $1,335,568.

The stock options previously granted to Mr. Prieur and scheduled to vest in 2012 vested on September 30, 2011, and Mr. Prieur had 90 days to exercise those options. The options that vested upon his retirement were (i) 210,674 options with an exercise price of $6.45 per share, (ii) 62,500 options with an exercise price of $1.13 per share, and (iii) 170,000 options with an exercise price of $3.05 per share. Options scheduled to vest in 2013 and subsequent years were cancelled upon his retirement; and

The shares of restricted stock previously awarded to Mr. Prieur and scheduled to vest in 2012 vested on September 30, 2011 (a total of 74,559 shares). The shares of restricted stock scheduled to vest in 2013 and subsequent years were cancelled.

In addition, all of the P-Shares grants were cancelled upon Mr. Prieur s retirement.

Additional Information

Stock Ownership Guidelines

After a comprehensive review of peer companies, the Committee adopted Stock Ownership Guidelines for our Chief Executive Officer and the executives who report to him in May 2011. The Guidelines align management s interests with those of our shareholders and provides a continuing incentive for management to focus on long-term growth. The individuals covered by the guidelines have until the fifth anniversary of their adoption (or the fifth anniversary of the date of the executive s appointment to the covered position, whichever is later) to meet those guidelines and until such time as the individual meets the guidelines he or she shall retain ownership of not less than one-half of the net shares of common stock received, after payment of

applicable taxes, upon the vesting or exercise, as applicable, of any equity award under the company s Long-Term Incentive Plan or any other similar plan adopted by the Company.

The guidelines are as follows: for the CEO, five times the base salary; for President/EVP, two times the base salary; and for select SVPs, one times the base salary.

The Committee will review adherence to the guidelines each year.

Clawback Rights

Our Amended and Restated Long-Term Incentive Plan contains a clawback provision relating to our long-term equity awards: stock options, P-Shares and restricted shares. Under this clawback provision, if our financial statements are required to be restated as a result of errors, omissions, or fraud, the Committee may, at its discretion, based on the facts and circumstances surrounding the restatement, direct the recovery of all or a portion of an equity award from one or more executives with respect to any fiscal year in which our financial results are negatively affected by such restatement. To do this, we may pursue various ways to recover awards from one or more executives: (1) seek repayment from the executive; (2) reduce the amount that would otherwise be payable to the executive under another benefit plan; (3) withhold future equity grants, bonus awards, or salary increases; or (4) take any combination of these actions.

Our Pay for Performance (P4P) Plan contains recapture rights of any incentive amount paid or vested in the event that the Committee determines that the achievement of performance goals was based on incorrect data.

Impact of Tax and Accounting on Compensation Decisions

As a general matter, the Committee considers the various tax and accounting implications of our compensation vehicles.

When determining amounts of long-term equity incentive grants to executives and employees, the Committee considers the accounting cost associated with the grants. Under FASB ASC Topic 718, grants of stock options, restricted stock, restricted stock units and other share-based payments result in an accounting charge that is reflected in our financial statements.

Section 162(m) of the Internal Revenue Code generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of $1 million in any taxable year to the chief executive officer and the next four highest compensated officers. Exceptions are made for qualified performance-based compensation, among other things. It is the Committee s policy to maximize the effectiveness of our executive compensation plans in this regard. However, the Committee believes that compensation and benefits decisions should be primarily driven by the needs of the business, rather than by tax policy. Therefore, the Committee may make pay decisions (such as the determination of the Chief Executive Officer s base salary) that result in compensation expense that is not fully deductible under Section 162(m). Despite our large net operating loss carry-forward (related to our emergence from bankruptcy in 2003), the Committee continues to administer our incentive plans so that payments qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

Termination and Change in Control Arrangements

Under the terms of award agreements under our equity-based compensation plans and under our employment agreements, the Named Executive Officers are entitled to payments and benefits upon the occurrence of specified events including termination of employment for various reasons. The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are described in the section entitled Potential Payments Upon Termination or Change in Control on page 43 . The terms of these arrangements were set through the course of employment

agreement negotiations with each of the Named Executive Officers, with an emphasis on internal consistency. In addition, as part of these negotiations, the Committee also analyzed the terms of the same or similar arrangements for comparable executives employed by companies similar to our own.

The termination of employment provisions of the employment agreements were entered into in order to address competitive concerns when the Named Executive Officers were recruited. Providing those individuals with a fixed amount of compensation offset the potential risk of leaving their prior employer or foregoing other opportunities in order to work for us. At the time of entering into these arrangements, the Committee considered our aggregate potential obligations in the context of the desirability of hiring the individual and the expected compensation upon joining us.

Prohibition against Trading in Derivatives

It violates our policy for any senior personnel to purchase, sell or engage in any other transaction involving any derivative securities or hedging related to any of our equity securities. This prohibition does not, however, apply to any exercise of our stock options pursuant to our Amended and Restated Long-Term Incentive Plan or any other benefit plans that we may adopt from time to time, any sale of our stock in connection with any cashless exercise (if otherwise permitted), or payment of withholding tax upon the exercise, of any such stock option.

Report of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee has reviewed the Compensation Discussion and Analysis and has discussed it with management. Based on the Committee s review and discussions with management, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement. This report is provided by the following independent directors, who comprise the Committee:

John G. Turner, Chair
Frederick J. Sievert
Michael T. Tokarz

Summary Compensation Table for 2011

The following Summary Compensation Table sets forth compensation paid to (i) the individuals who served as our chief executive officer during 2011 (Mr. Prieur from January through September and Mr. Bonach beginning October 1), (ii) our chief financial officer during 2011 (Mr. Bonach) and (iii) the other three most highly compensated individuals who served as executive officers of CNO as of December 31, 2011 (collectively, the Named Executive Officers) for services rendered during 2011, 2010 and 2009.

SUMMARY COMPENSATION TABLE FOR 2011

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Compensation(4)	All Other Compensation(5)	

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Compensation(4)	All Other Compensation(5)	
James Prieur (6)	2011	$754,615		$1,393,622	$1,350,626	$1,335,568	$ 9,429	$4
Retired Chief Executive Officer	2010	900,000		2,068,528	2,070,841	1,665,947	20,837	6
	2009	900,000		497,600	843,314	1,075,989	9,156	3
Edward Bonach (7)	2011	601,099		1,365,276	541,943	1,043,276	9,375	3
Chief Executive Officer;	2010	503,751	$500,000	556,976	538,171	746,710	9,156	2
Chief Financial Officer	2009	472,500		210,720	363,213	451,915	9,156	1
Scott Perry (8)	2011	492,929		1,008,726	471,576	798,160	21,208	2
Chief Operating Officer ;	2010	441,324		535,080	515,563	698,624	31,152	2
President, Bankers Life	2009	441,324		137,920	363,213	593,240	7,980	1
Eric Johnson	2011	500,000		407,376	471,576	857,562	966	2
President, 40 | 86 Advisors Inc.	2010	500,000		362,670	334,036	968,117	966	2
	2009	500,000		115,520	308,178	468,865	630	1
Steven Stecher	2011	422,833		704,886	471,576	511,454	13,553	2
President, Washington National	2010	412,000		468,195	447,247	391,626	19,249	1
	2009	412,000		137,920	363,213	263,760	12,049	1

(1) The amount shown in this column is a bonus payment specified by the terms of the individual s employment agreement. Amounts paid under the Company s Pay for Performance Incentive Plan are included in the column Non-Equity Incentive Plan Compensation.

(2) This column represents the aggregate grant date fair value of restricted stock and performance share awards, in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions. For restricted stock, fair value is calculated using the closing price of CNO common stock on the date of grant. For additional information, see Note 9 to the CNO financial statements in the Form 10-K for the year ended December 31, 2011, as filed with the SEC. See the Grants of Plan-Based Awards table for information on awards made in 2011. The amounts in this column do not necessarily correspond to the actual value that will be recognized by the N amed E xecutive O fficers. The amounts in this column for 2011 include the grant date value of performance share awards based on the targeted amounts for each of the Named Executive Officers. Under the terms of those performance share awards, the officers are entitled to receive 150% of the targeted number of shares if the Company equals or exceeds the maximum levels set forth in those awards. If the maximum levels are achieved for the performance share awards made in 2011, the aggregate grant date value of the awards shown in this column would be as follows: Mr. Prieur, $0; Mr. Bonach, $349,812; Mr. Perry, $305,532; Mr. Johnson, $305,532; and Mr. Stecher, $305,532.

(3) This column represents the aggregate grant date fair value of stock options granted to each of the Named Executive Officers, in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the 2011 grants, refer to Note 9 of the CNO financial statements in the Form 10-K for the year ended December 31, 2011, as filed with the SEC. For information on the valuation assumptions with respect to grants made prior to 2011, refer to the note on stockholders equity and stock-related information to the CNO financial statements in the Form 10-K for the respective year-end. See the Grants of Plan-Based

Awards table for information on options granted in 2011. The amounts in this column do not necessarily correspond to the actual value that will be recognized by the N amed E xecutive O fficers.

(4) This column represents the dollar amount of payments made after year end to the N amed E xecutive O fficers based on performance for the specified year with respect to the targets established under the Company s Pay for Performance (P4P) Incentive Plan.

(5) For 2011, the amounts reported in this column represent the amounts paid for: (i) group life insurance premiums, (ii) Company contributions to the 401(k) Plan , (iii) spousal travel benefits and (iv) amounts paid as reimbursement for taxes paid on taxable income associated with spousal travel .

The table below shows such amounts for 2011 for each named executive officer:

Name	Group Life Insurance Premiums	401(k) Plan Contributions	Spousal Travel	Tax Reimbursement
James Prieur	$2,079	$7,350	$	$
Edward Bonach	1,806	7,350	154	65
Scott Perry	630	7,350	8,799	4,429
Eric Johnson	966			
Steven Stecher	966	7,350	3,622	1,615

(6) Mr. Prieur retired on September 30, 2011.

(7) Mr. Bonach became Chief Executive Officer on October 1, 2011 and served as Chief Financial Officer throughout 2011.

(8) Mr. Perry became Chief Operating Officer on July 6, 2011 and continues to serve as President of Bankers Life and Casualty Company.

Grants of Plan-Based Awards in 2011

The following table shows certain information concerning grants of plan-based awards in 2011 to the N amed E xecutive O fficers.

GRANTS OF PLAN-BASED AWARDS IN 2011

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts (in Shares of Common Stock) Under Equity Incentive Plan Awards(2)				
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units(3)	All Other Option Awards: Number of Securities Underlying Options(4)
James Prieur (7)		$ 281,250	$1,125,000	$2,250,000					
	3-8-11							63,100	
	3-8-11								189,900
	3-8-11				15,775	63,100	94,650		
	8-17-11							74,559	

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts (in Shares of Common Stock) Under Equity Incentive Plan Awards(2)				
	8-17-11								62,500
	8-17-11								170,000
	8-17-11								210,674
Edward Bonach		164,322	657,288	1,314,576					
	1-31-11							142,000	
	3-8-11							31,600	
	3-8-11								95,500
	3-8-11				7,900	31,600	47,400		
Scott Perry		123,589	494,354	988,708					
	1-31-11							95,000	
	3-8-11							27,600	
	3-8-11								83,100
	3-8-11				6,900	27,600	41,400		
Eric Johnson		125,000	500,000	1,000,000					
	3-8-11							27,600	
	3-8-11								83,100
	3-8-11				6,900	27,600	41,400		
Steven Stecher		105,751	423,005	846,010					
	1-31-11							47,000	
	3-8-11							27,600	
	3-8-11								83,100
	3-8-11				6,900	27,600	41,400		

(1) These amounts represent the threshold, target and maximum amounts that would have been payable for 2011 if the corresponding performance-based metrics under the CNO Pay for Performance Incentive Plan had been achieved. The amounts paid for 2011 performance under the Pay for Performance Incentive Plan are listed in the Summary Compensation Table on page 35 of this proxy statement under the column heading Non-Equity Incentive Plan Compensation.

(2) These amounts represent the threshold, target and maximum number of shares that the N amed E xecutive O fficers can receive under the terms of the performance share awards made in 2011. See footnote (3) to the Outstanding Equity Awards at 2011 Fiscal Year-End table below for additional information regarding the 2011 performance share awards.

(3) The amounts in this column represent the number of shares of restricted stock that were awarded to the N amed E xecutive O fficers during 2011 under the Amended and Restated Long-Term Incentive Plan.

(4) The amounts in this column represent the number of stock options granted to the N amed E xecutive O fficers during 2011 under the Amended and Restated Long-Term Incentive Plan.

(5) The exercise price equals the closing sales price of CNO common stock on the New York Stock Exchange on the date of grant. The exercise prices listed for the August 17, 2011 awards to Mr. Prieur are the exercise prices of the original grants. See footnote (7) below for additional information.

(6) The values included in this column represent the grant date fair value of restricted stock, performance share and option awards computed in accordance with ASC 718. For restricted stock, the value is based on the closing sales price on the New York Stock Exchange on the date of grant. A description of the assumptions used in calculating these values may be found in Note 9 to the CNO financial statements in the Form 10-K for the year ended December 31, 2011, as filed with the SEC.

(7) Mr. Prieur retired on September 30, 2011. In connection with his retirement, the Board approved the following items on August 17, 2011: (i) a pro rata payment of the amount payable under the CNO Pay for Performance Incentive Plan based on actual results for the year ended December 31, 2011; (ii) amendments to the terms of his previously granted stock options to provide that all options previously scheduled to vest in 2012 would vest upon his retirement, with a 90 day exercise period; and (iii) amendments to the terms of his previously granted restricted stock awards to provide that certain shares of restricted stock scheduled to vest in 2012 would vest upon his retirement. The options that vested upon his retirement included 210,674 options with an exercise price of $6.45 per share, 62,500 options with an exercise price of $1.13 per share and 170,000 options with an exercise price of $3.05 per share. The amounts in the table for the August 17, 2011 grant date reflect the grant date fair value of the amendments to his stock options and restricted stock made on that date, computed in accordance with ASC 718 (the closing sale price of the common stock on that date was $6.20 per share).

Narrative Supplement to the Summary Compensation Table and the Grants of Plan-Based Awards in 2011 Table

Employment Agreements

Chief Executive Officer. We entered into an amended and restated employment agreement with Mr. Bonach, effective October 1, 2011, pursuant to which he serves as our chief executive officer, for a term ending on October 1, 2014. The amended agreement increased his annual base salary to $800,000 effective October 1, 2011 (with increases from time to time based on his performance) and provides for an annual performance-based bonus. For the period ending September 30, 2011 during which Mr. Bonach served as chief financial officer, his target bonus was 100% of his salary during that period, with a maximum of 200% of his target bonus. Effective October 1, 2011, the target bonus for Mr. Bonach is 125% of base salary, with a maximum of 200% of his target bonus. As described more fully in Potential Payments upon Termination or Change in Control, if Mr. Bonach s employment is terminated by us without Cause or if he resigns With Reason (as defined in his employment agreement), or his employment is terminated by reason of his death or Disability (as defined in his employment agreement), Mr. Bonach would be entitled to receive specified additional benefits. Mr. Bonach is subject to a non-solicitation and non-competition clause throughout the term of the agreement and for one year thereafter.

Former Chief Executive Officer. We did not have an employment agreement with Mr. Prieur at the time of his retirement.

Chief Operating Officer. We entered into an employment agreement with Mr. Perry, effective July 6, 2011, pursuant to which he serves as Chief Operating Officer and as President of Bankers Life and Casualty Company, for a term ending on July 6, 2014. His employment agreement provides for an annual base salary of $525,000 (with increases from time to time based on his performance) and an annual performance-based bonus with a target of 100% of base salary and a maximum of 200% of base salary. As described more fully in Potential Payments upon Termination or Change in Control, if Mr. Perry s employment is terminated by us without Cause or if he resigns With Reason (as defined in his employment agreement), or his employment is terminated by reason of his death or Disability (as defined in his employment agreement), Mr. Perry would be entitled to receive specified additional benefits. Mr. Perry is subject to a non-solicitation and non-competition clause throughout the term of his agreement and for one year thereafter.

President, 40|86 Advisors, Inc. 40|86 Advisors, Inc., our wholly-owned investment management subsidiary that manages the investment portfolios of our insurance subsidiaries, entered into an amended and

restated employment agreement with Mr. Johnson, effective December 21, 2009, pursuant to which he serves as President of 40|86 Advisors. His employment agreement was amended on February 7, 2011 to extend the term of the agreement to September 30, 2012. The agreement provides for an annual base salary of $500,000 (with increases from time to time based on his performance) and an annual performance-based bonus with a target of 100% of base salary and a maximum of 200% of base salary. As described more fully in Potential Payments upon Termination or Change in Control, if Mr. Johnson s employment is terminated by us without Cause or if he resigns With Reason (as defined in his employment agreement), or his employment is terminated by reason of his death or Disability (as defined in his employment agreement), Mr. Johnson would be entitled to receive specified additional benefits. Mr. Johnson is subject to a non-solicitation clause throughout the term of the agreement and for one year thereafter.

President, Washington National. Effective May 26, 2010, Mr. Stecher entered into an amended employment agreement pursuant to which he serves as President of Washington National Insurance Company, for a term that expires on July 31, 2013. The amended employment agreement provided for an annual salary of $412,000 (with increases from time to time based on his performance) and an annual performance-based bonus with a target of 100% of base salary and a maximum of 200% of base salary. As described more fully in Potential Payments upon Termination or Change in Control, if Mr. Stecher s employment is terminated by us without Cause or if he resigns With Reason (as defined in his employment agreement), or his employment is terminated by reason of his death or Disability (as defined in his employment agreement), Mr. Stecher would be entitled to receive specified additional benefits. Mr. Stecher is subject to a non-solicitation and non-competition clause throughout the term of the agreement and for one year thereafter.

Terms of Equity-Based Awards

Vesting Schedule

Unless otherwise provided in the footnote disclosure to the table of Outstanding Equity Awards at 2011 Fiscal Year-End on pages 40 and 41 of this Proxy Statement, one-half of each option award vests on the second anniversary of the date of grant and the other one-half vests on the third anniversary of the date of grant. Options granted in 2006 and prior years expire ten years from the date of grant; options granted in 2007-2009 expire five years from the date of grant; and options granted in 2010 and subsequent years expire seven years from the date of grant.

Annual awards of restricted stock vest in three equal annual installments beginning one year after the grant. The vesting schedule for special awards of restricted stock is generally over a period of two or three years. For the special retention awards of restricted stock made to Mr. Bonach, Mr. Perry and Mr. Stecher in January 2011, one-half of the award vests in December 2012 and the other one-half vests in December 2013. Performance share awards are measured over a three-year performance period at which time they will vest only if the financial goals have been achieved. Unless otherwise noted, grants to the Named Executive Officers have vesting schedules identical to other officers.

Forfeiture and Post-Employment Treatment

Holders of stock options generally have 90 days after termination of employment to exercise options to the extent they were vested on the date of termination. Unvested restricted stock and performance shares are generally forfeited upon termination of employment except upon retirement. See *Change to Treatment of Retirement* on page 29 for a description of the treatment of equity awards upon retirement.

Option Exercise Price

Options granted under the Company s Amended and Restated Long-Term Incentive Plan have an exercise price equal to the closing price on the date of grant.

Dividends

Holders of restricted stock are entitled to receive any cash dividends at the same times and in the same amounts per share as holders of the Company s common stock. Holders of performance share awards are entitled to dividend equivalents on any performance shares that vest. Such dividend equivalents are payable in cash at the time of vesting of the performance shares to the extent that cash dividends are paid on the common stock underlying the performance shares after the award date and prior to the issuance of shares upon vesting. The Company does not currently pay dividends on its common stock.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards held by the N amed E xecutive O fficers as of December 31, 2011.

OUTSTANDING EQUITY AWARDS AT 2011 FISCAL YEAR-END

		OPTION AWARDS				STOCK AWARDS			
Name	**Award Date**	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date(1)**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested(2)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(3)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(4)**
James Prieur (5)				$					
Edward Bonach	5-11-07	80,000		18.35	5-11-12				
	4-1-08	100,000		10.55	4-1-13				
	4-2-09(6)		21,750	1.13	4-2-14	28,333	178,781		
	5-12-09(7)	75,000	75,000	3.05	5-12-14				
	3-2-10(8)					2,000	12,620		
	3-18-10(9)		109,500	6.45	3-18-17	27,800	175,418	10,425	65,782
	1-31-11(10)					142,000	896,020		
	3-8-11(11)		95,500	7.38	3-8-18	31,600	199,396	7,900	49,849
Scott Perry	6-1-04	18,000		21.00	6-1-14				
	6-27-05	25,000		21.67	6-27-15				
	6-30-06	45,000		23.10	6-30-16				
	3-26-07	80,000		17.75	3-26-12				
	4-1-08	80,000		10.55	4-1-13				
	4-2-09(6)	10,750	21,750	1.13	4-2-14	6,666	42,062		
	5-12-09(7)	75,000	75,000	3.05	5-12-14				
	3-2-10(8)					2,000	12,620		
	3-18-10(9)		104,900	6.45	3-18-17	26,666	168,262	10,000	63,100
	1-31-11(10)					95,000	599,450		
	3-8-11(11)		83,100	7.38	3-8-18	27,600	174,156	6,900	43,539
Eric Johnson	6-1-04	150,000		21.00	6-1-14				
	3-26-07	88,000		17.75	3-26-12				
	4-1-08	50,000		10.55	4-1-13				
	4-2-09(6)	21,750	21,750	1.13	4-2-14				
	5-12-09(7)	62,500	62,500	3.05	5-12-14				
	3-2-10(8)					1,500	9,465		
	3-18-10(9)		70,000	6.45	3-18-17	18,000	113,580	6,750	42,593
	3-8-11(11)		83,100	7.38	3-8-18	27,600	174,156	6,900	43,539
Steven Stecher	9-17-04	10,000		17.87	9-17-14				
	6-27-05	30,000		21.67	6-27-15				
	6-30-06	36,000		23.10	6-30-16				

					STOCK AWARDS			
3-26-07	54,000		17.75	3-26-12				
4-1-08	60,000		10.55	4-1-13				
8-18-08	20,000		8.91	8-18-13				
4-2-09(6)		21,750	1.13	4-2-14	6,666	42,062		
5-12-09(7)		75,000	3.05	5-12-14				
3-2-10(8)					1,750	11,043		
3-18-10(9)		91,000	6.45	3-18-17	23,333	147,231	8,750	55,213
1-31-11(10)					47,000	296,570		
3-8-11(11)		83,100	7.38	3-8-18	27,600	174,156	6,900	43,539

(1) All options in this table that were granted in 2006 or prior years have a 10 year expiration date, while options granted in 2007 2009 have a five year expiration date and options granted in 2010 2011 have a seven year expiration date. All options are subject to acceleration for certain events.

(2) Based on the closing sales price of CNO common stock ($6.31) on December 30, 2011, the last trading day of the year.

(3) In accordance with SEC rules, the amounts included in this column represent the number of shares of CNO common stock to which the N amed E xecutive O fficer will be entitled if the Company achieves the threshold performance level with respect to the performance share awards made in 2010 and 2011 . The performance share awards made in 2010 and 2011 are tied to the CNO s average pre-tax operating earnings for the three-year periods ending December 31, 2012 and December 31, 2013, respectively. For purposes of these awards, pre-tax operating earnings are defined as pre-tax income before (i) gain or loss on extinguishment or modification of debt; (ii) net realized investment gains or losses, net of amortization; (iii) discontinued operations; (iv) the cumulative effect of changes in accounting principles; (v) dividends on preferred stock; and (vi) unusual income or expense items that are unlikely to recur as determined by the Human Resources and Compensation Committee. For the 2010 performance share award, no portion will be earned if the Company s average pre-tax operating income for the three-year period is less than $250.0 million, and payouts begin with a 25% payout at the threshold level of $250.0 million. For the 2011 performance share award, no portion will be earned if the Company s average pre-tax operating income for the three year-period is less than $276.6 million, and payouts begin with a 25% payout at the threshold level of $276.6 million. Accordingly, the number of shares in this column includes 25% of the number of performance shares granted to the named executive officer in 2010 and 2011.

(4) The dollar amounts in this column equal the number of threshold level performance shares, calculated as described in footnote (3) above, multiplied by the closing sales price of CNO common stock on December 30, 2011 ($6.31).

(5) Mr. Prieur retired on September 30, 2011 and held no awards as of December 31, 2011.

(6) One-half of these options vested on April 2, 2011 and the balance vests on April 2, 2012. The remaining shares from this restricted stock award vest on March 31, 2012.

(7) One-half of these options vested on May 12, 2011 and the balance vests on May 12, 2012.

(8) The balance of this restricted stock award vests on March 2, 2012.

(9) One-half of these options vest ed on March 18, 2012 and the balance vests on March 18, 2013. The remaining shares from this restricted stock award vest in equal annual installments commencing March 18, 2012.

(10) One-half of this restricted stock award vests on December 28, 2012 and the balance vests on December 30, 2013.

(11) One-half of these options vest on March 8, 2013 and the balance vests on March 8, 2014. The restricted stock award vests in three equal annual installments commencing March 8, 2012.

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Option Exercises and Stock Vested in 2011

The following table provides information, for the N amed E xecutive O fficers, concerning (i) stock option exercises during 2011 and the value realized upon exercise (before payment of any applicable withholding tax) and (ii) the number of shares acquired upon the vesting of restricted stock awards and the value realized upon vesting (before payment of any applicable withholding tax).

OPTION EXERCISES AND STOCK VESTED IN 2011

	OPTION AWARDS		STOCK AWARDS	
Name	**Number of Shares Acquired On Exercise**	**Value Realized Upon Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
James Prieur	465,000	$ 1,492,064	194,768	$ 1,274,936
Edward Bonach	21,750	95,890	44,233	323,603
Scott Perry	11,000	49,169	22,001	157,174
Eric Johnson			10,500	73,425
Steven Stecher	96,750	413,302	25,084	173,976

Nonqualified Deferred Compensation in 2011

The following table shows certain information concerning nonqualified deferred compensation activity in 2011 for our N amed E xecutive O fficers.

NONQUALIFIED DEFERRED COMPENSATION IN 2011

Name	**Executive Contributions in 2011**	**CNO Contributions in 2011**	**Aggregate Earnings (Loss) in 2011(1)**	**Aggregate Withdrawals/ Distributions**	**Aggregate Balance at 12/31/11(2)**
James Prieur			$ 33,190	$	$ 2,467,613
Edward Bonach			(18,925)		409,059
Scott Perry			(508)	21,143	34,661
Eric Johnson					
Steven Stecher					

(1) Amounts in this column are not included in the Summary Compensation Table on page 35 of this Proxy Statement.

(2) Amounts included in this column reflect the following amounts contributed under the deferred compensation plan by the N amed E xecutive O fficers, which amounts were in each case included in the summary compensation table for the year(s) to which the compensation relates: Mr. Prieur, $1,822,500; Mr. Bonach, $428,739; and Mr. Perry, $24,573. The amount for Mr. Perry in this column includes a $3,873 balance in a separate deferred compensation plan for certain field managers of Bankers Life and Casualty Company,

to which no further contributions are being made.

The 2011 Nonqualified Deferred Compensation table presents amounts deferred under our Deferred Compensation Plan. Participants may defer up to 100% of their base salary and annual incentive plan payments under the Deferred Compensation Plan. Deferred Amounts are credited with earnings or losses based on the return of mutual funds selected by the executive, which the executive may change at any time. We do not make matching contributions to participants accounts under the Deferred Compensation Plan. Distributions are made in either a lump sum or an annuity as chosen by the executive at the time of deferral.

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Potential Payments Upon Termination or Change in Control

Each of the N amed E xecutive O fficers listed below (other than Mr. Prieur) would be entitled to certain payments upon termination of employment arising under (i) benefit plans covering all employees such as group life insurance coverage, (ii) agreements covering awards made under the Company s Long-Term Incentive Plan and (iii) the terms of an employment agreement between the N amed E xecutive O fficer and the Company or one of its subsidiaries. See Termination and Change in Control Arrangements on page 33 of this proxy statement for additional information regarding these arrangements. The following table estimates the amounts that would have been payable to the N amed E xecutive O fficers upon termination of employment under each of the identified circumstances as of December 31, 2011:

Name	Voluntary or For Cause Termination	Disability	Death	Without Cause or With Good Reason	Involuntary or Good Reason Termination upon or within 2 years after Change In Control
James Prieur(1)		$	$	$	$
Edward Bonach(2)		1,000,000	1,400,000	2,858,599	6,979,489
Scott Perry(3)		525,000	925,000	1,848,160	3,990,674
Eric Johnson(4)		500,000	900,000	1,857,562	3,209,074
Steven Stecher(5)		425,000	825,000	1,361,454	2,807,281

(1) Mr. Prieur retired on September 30, 2011.

(2) For Mr. Bonach, his employment agreement provides for payments upon termination of employment as follows: (i) due to disability, a pro rata portion of his target annual bonus ($1,000,000 as of December 31, 2011); (ii) upon death, an amount equal to his target annual bonus (in addition, he would be entitled to receive $400,000 under the Company s group life insurance plan); (iii) without Just C ause or W ith R eason (as defined in his agreement), an amount equal to the pro rata portion of his actual bonus ($1,043,276 for 2011) plus an amount equal to the sum of his target bonus and annual salary plus continued participation for up to 12 months for Mr. Bonach and his family in all medical, health and life insurance plans at the same benefit level at which he and his family were participating on the date of his termination (the amount in the table includes $15,323 for 12 months of such benefits); and (iv) upon an involuntary termination or a termination by Mr. Bonach W ith R eason upon or within two years after a change in control, an amount equal to his pro rata target bonus for the year of termination plus two times the sum of his salary and target bonus plus continued participation for up to 24 months for Mr. Bonach and his family in all medical, health and life insurance plans at the same benefit level at which he and his family were participating on the date of his termination (the amount in the table includes $30,646 for 24 months of such benefits). In the event of a termination upon a change in control, in addition to the amounts payable under his employment agreement, the vesting of his awards under the Company s Long-term Incentive Plan would be accelerated and the amount shown for Mr. Bonach includes the value as of December 31, 2011 of the accelerated vesting of options ($601,665), restricted stock ($1,462,235) and performance shares ($241,667).

(3) For Mr. Perry, his employment agreement provides for payments upon termination of employment as follows: (i) due to disability, a pro rata portion of his target annual bonus ($525,000 as of December 31, 2011); (ii) upon death, an amount equal to his annual salary (in addition, he would be entitled to receive $400,000 under the Company s group life insurance plan); (iii) without Just Cause or With

Reason (as defined in his agreement), an amount equal to the pro rata portion of his actual bonus ($798,160 for 2011) plus an amount equal to the sum of his target bonus and his annual salary; and (iv) upon an involuntary termination or a termination by Mr. Perry W ith R eason upon or within two years after a change in control, an amount equal to his pro rata actual bonus for the year of termination plus his target bonus and one and one-half times his annual salary. In the event of a termination upon a change in control, in addition to the amounts payable under his employment agreement, the vesting of his awards

under the Company s Long-term Incentive Plan would be accelerated and the amount shown for Mr. Perry includes the value as of December 31, 2011 of the accelerated vesting of options ($657,350), restricted stock ($996,551) and performance shares ($226,113).

(4) For Mr. Johnson, his employment agreement provides for payments upon termination of employment as follows: (i) due to disability, a pro rata portion of his target annual bonus ($500,000 as of December 31, 2011); (ii) upon death, an amount equal to his target annual bonus (in addition, he would be entitled to receive $400,000 under the Company s group life insurance plan); (iii) without Just Cause or With Reason (as defined in his agreement), an amount equal to the pro rata portion of his actual bonus ($857,562 for 2011) plus an amount equal to the sum of his target bonus and his annual salary; and (iv) upon an involuntary termination or a termination by Mr. Johnson W ith R eason upon or within two years after a change in control, an amount equal to his pro rata actual bonus for the year of termination plus his target bonus and one and one-half times his annual salary. In the event of a termination upon a change in control, in addition to the amounts payable under his employment agreement, the vesting of his awards under the Company s Long-term Incentive Plan would be accelerated and the amount shown for Mr. Johnson includes the value as of December 31, 2011 of the accelerated vesting of options ($632,830), restricted stock ($297,201) and performance shares ($171,481).

(5) For Mr. Stecher, his employment agreement provides for payments upon termination of employment as follows: (i) due to disability, a pro rata portion of his target annual bonus ($425,000 as of December 31, 2011); (ii) upon death, an amount equal to his annual salary (in addition, he would be entitled to receive $400,000 under the Company s group life insurance plan); (iii) without Just Cause or With Reason (as defined in his agreement), an amount equal to the pro rata portion of his actual bonus ($511,454 for 2011) plus an amount equal to the sum of his target bonus and his annual salary; and (iv) upon an involuntary termination or a termination by Mr. Stecher W ith R eason upon or within two years after a change in control, an amount equal to his pro rata actual bonus for the year of termination plus his target bonus and one and one-half times his annual salary. In the event of a termination upon a change in control, in addition to the amounts payable under his employment agreement, the vesting of his awards under the Company s Long-term Incentive Plan would be accelerated and the amount shown for Mr. Stecher includes the value as of December 31, 2011 of the accelerated vesting of options ($357,165), restricted stock ($671,062) and performance shares ($205,100).

PROPOSAL 2

APPROVAL OF AMENDED AND RESTATED SECTION 382 SHAREHOLDERS RIGHTS PLAN

Introduction

On December 6, 2011, the Board adopted an Amended and Restated Section 382 Rights Agreement (the Amended Rights Plan). The Board had previously declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock, par value $0.01 per share, of the Company (the Common Stock) that was paid to the share holders of record as of the close of business on January 30, 2009 pursuant to the Company s original Section 382 Rights Agreement, dated as of January 20, 2009 (the Original Rights Plan).

The Original Rights Plan, which the Company s shareholders approved at the Company s 2009 Annual Meeting, had been scheduled to expire on January 20, 2012. In order to extend the term of the Original Rights Plan, and to amend certain other provisions therein, the Original Rights Plan was amended and restated in its entirety. The amendments, among other things:

extended the final expiration date of the Amended Rights Plan to December 6, 2014;

updated the purchase price of the Rights;

provided for a new series of preferred stock relating to the Rights that is substantially identical to the prior series of preferred stock;

provided for a 4.99% ownership threshold relating to any Company 382 Securities (as defined below); and

amended certain other provisions to reflect best practices for tax benefit preservation plans, including updates to certain definitions.

The Amended Rights Plan approval proposal is an opportunity for shareholders to approve the decision by the Board to adopt the Amended Rights Plan. If the shareholders do not approve the Amended Rights Plan at the Annual Meeting, the Amended Rights Plan will expire upon the adjournment of the Annual Meeting.

Purpose of the Amended Rights Plan

The Amended Rights Plan is designed to prevent certain transfers of our Common Stock or other securities interests (collectively, Company 382 Securities) that would be treated as our stock for purposes of Section 382 (Section 382) of the Internal Revenue Code of 1986, as amended (the Code), which could adversely affect our ability to utilize tax net operating losses (NOLs) and certain other tax losses (collectively, Tax Benefits) to offset our taxable income for U.S. federal income tax purposes. As of December 31, 2011, we had approximately $4.1 billion of federal tax NOLs and $1.0 billion of capital loss carry-forwards, resulting in deferred tax assets of approximately $1.8 billion, expiring in years 2013 through 2029. Generally, the unexpired balance of our NOLs can be used to offset tax on income (if any). However, as discussed further below, the utilization of Tax Benefits to offset taxable income can be limited in certain circumstances. Because the amount and timing of our future taxable income cannot be accurately predicted, we cannot predict the amount of Tax Benefits that will ultimately be used to reduce our income tax liability. Although we are unable to quantify an exact value, we believe that the Tax Benefits are a very valuable asset and the Board believes it is in the Company s best interests to attempt to prevent the imposition of limitations on their use by adopting the Amended Rights Plan.

The benefit of the Tax Benefits to the Company could be significantly reduced or eliminated if we experience an ownership change within the meaning of Section 382 of the Code (an Ownership Change).

An Ownership Change can occur through one or more acquisitions of our stock, whether or not occurring pursuant to a single plan, by which shareholders or groups of shareholders, each of whom owns or is deemed to own directly or indirectly at least 5% of our stock, increase their aggregate ownership of our stock by more than 50 percentage points over their lowest aggregate percentage interest within a rolling three-year period. See Section 382 Ownership Shift Calculations below for additional detail. If that were to happen, we would only be allowed to use a limited amount of Tax Benefits to offset our taxable income subsequent to an Ownership Change (the Annual 382 Limitation).

The Annual 382 Limitation is obtained by multiplying (i) the aggregate value of our outstanding equity immediately prior to the Ownership Change (reduced by certain capital contributions made during the immediately preceding two years and certain other items) by (ii) the federal long-term tax-exempt rate (as defined by Section 382 of the Code and regularly published by the Internal Revenue Service (the IRS)) in effect for the month of the Ownership Change. The Annual 382 Limitation is subject to certain adjustments and limitations. If we were to experience an Ownership Change at our current stock price levels, we believe we would be subject to an annual Tax Benefits limitation which would result in a material amount of NOLs expiring unused, resulting in a significant impairment to the Company s deferred tax assets. Additionally, the writedown of our deferred tax assets that would occur in the event of an Ownership Change for purposes of Section 382 could cause us to breach the debt to total capitalization covenant in our senior secured credit facility.

If the Company were to have taxable income in excess of the Annual 382 Limitation following an Ownership Change, it would not be able to utilize Tax Benefits to offset the tax liability on the excess of taxable income over the Annual 382 Limitation. Although any Tax Benefits not used as a result of the Annual 382 Limitation would remain available to offset taxable income in future years (subject to the Annual 382 Limitation) until the expiration of such Tax Benefits, an Ownership Change could (i) significantly defer the utilization of such Tax Benefits, (ii) accelerate payment of tax liabilities and (iii) result in the expiration of certain Tax Benefits prior to their utilization. Because the aggregate value of our outstanding Common Stock and the federal long-term tax-exempt interest rate fluctuate, it is impossible to predict with any accuracy the Annual 382 Limitation which would apply upon an Ownership Change, but such limitation could be material.

Currently, we do not believe that we have experienced an Ownership Change, but calculating whether an Ownership Change has occurred is subject to inherent uncertainty. This uncertainty results from the complexity of the Section 382 provisions, as well as limitations on the knowledge that any publicly traded company can have about the ownership of and transactions in its securities. However, we and our advisors have analyzed the information available, along with various scenarios of possible future changes of ownership. Taking into account, among other things, the issuance and sale of shares of common stock and warrants to Paulson & Co. Inc. and our public offering of common stock in December 2009, as well as our current stock price and daily trading volume, among other factors, we believe that if no actions were taken it is possible that we would undergo an Ownership Change.

In April 2010, the Company s shareholders approved an amendment to the Company s Amended and Restated Certificate of Incorporation (the NOL Protective Amendment). Although the NOL Protective Amendment is designed to assist in protecting the NOLs by preventing certain transfers of stock which would otherwise adversely affect our ability to use the Tax Benefits, there still remains a risk that certain changes in relationships among shareholders or other events would cause an Ownership Change. We also cannot assure you that the NOL Protective Amendment is enforceable under all circumstances, particularly against shareholders who did not vote in favor of the NOL Protective Amendment proposal at our 2010 Annual Meeting.

The Amended Rights Plan is not designed to protect shareholders against the possibility of a hostile takeover. Instead, it is meant to protect shareholder value by attempting to preserve our ability to use the Tax Benefits. Because of the significant value of the Tax Benefits to the Company, the Board believes it is in the best interest of the Company and its shareholders to approve the adoption of the Amended Rights Plan. Our Board has unanimously approved the Amended Rights Plan and unanimously recommends that shareholders approve the Amended Rights Plan at the Annual Meeting.

The description of the Amended Rights Plan in this proxy statement is qualified in its entirety by reference to the text of the Amended Rights Plan, which is attached hereto as Annex A and is incorporated by reference herein. **You are urged to read carefully the Amended Rights Plan in its entirety as the discussion in this proxy statement is only a summary.**

Section 382 Ownership Change Calculations

Generally, an Ownership Change can occur through one or more acquisitions by which one or more shareholders, each of whom owns or is deemed to own directly or indirectly 5% or more in value of a corporation s stock, increase their aggregate percentage ownership by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the preceding rolling three-year period. The amount of the increase in the percentage of stock ownership (measured as a percentage of the value of the company s outstanding shares rather than voting power) of each 5-percent shareholder (within the meaning of Section 382) is computed separately, and each such increase is then added together with any other such increases to determine whether an Ownership Change has occurred.

For example, if a single investor acquired 50.1% of our stock in a three-year period, an Ownership Change would occur. Similarly, if ten persons, none of whom owned our stock, each acquired slightly over 5% of our stock within a three-year period (so that such persons owned, in the aggregate, more than 50%), an Ownership Change would occur.

In determining whether an Ownership Change has occurred, the rules of Section 382 are very complex and are beyond the scope of this summary discussion. Some of the factors that must be considered in determining whether an Ownership Change has occurred include the following:

All holders who each own less than 5% of a company s Company 382 Securities are generally (but not always) treated as a single 5-percent shareholder. Transactions in the public markets among stockholders who are not 5-percent shareholders are generally (but not always) excluded from the calculation.

There are several rules regarding the aggregation and segregation of stockholders who otherwise do not qualify as 5-percent shareholders.

Acquisitions by a person which cause that person to become a 5-percent shareholder generally result in a five percentage (or more) point change in ownership, regardless of the size of the final purchase(s) that caused the threshold to be exceeded.

Certain constructive ownership rules, which generally attribute ownership of Company 382 Securities owned by estates, trusts, corporations, partnerships or other entities to the ultimate indirect individual owner thereof, or to related individuals, are applied in determining the level of Company 382 Securities ownership of a particular holder. Special rules can result in the treatment of options (including warrants) or other similar interests as having been exercised if such treatment would result in an Ownership Change.

The redemption or buyback of shares by an issuer will increase the ownership of any 5-percent shareholders (including groups of stockholders who are not themselves 5-percent shareholders) and can contribute to an Ownership Change. In addition, it is possible that a redemption or buyback of shares could cause a holder of less than 5% to become a 5-percent shareholder, resulting in a five percentage (or more) point change in ownership.

Shareholders are advised to carefully monitor their ownership of our Company 382 Securities and consult with their own legal advisors to determine whether their ownership of our Company 382 Securities approaches the proscribed level.

Description of Amended Rights Plan

The Amended Rights Plan is intended to act as a deterrent to any person or group acquiring 4.99% or more of our outstanding Common Stock or any other class of Company 382 Securities then outstanding (an Acquiring Person) without the approval of our Board of Directors. Shareholders who owned 4.99% or more of the Company s outstanding Common Stock as of the close of business on December 6, 2011 will not trigger the Amended Rights Plan so long as they do not (i) acquire additional shares of Common Stock or other interests in Company 382 Securities representing more than 1% of the Company 382 Securities then outstanding or (ii) fall under 4.99% ownership of the shares of Common Stock or any other class of Company 382 Securities and then re-acquire 4.99% or more of the Common Stock or any other class of Company 382 Securities. Any Rights held by a person who is or becomes an Acquiring Person are void and may not be exercised or transferred. The Board of Directors may, in its sole discretion, exempt any person or group from being deemed an Acquiring Person for purposes of the Amended Rights Plan.

The Rights. Subject to the terms, provisions and conditions of the Amended Rights Plan, if the Rights become exercisable, each Right would initially represent the right to purchase from us one one-thousandth of a share of our Series B Junior Participating Preferred Stock, par value $0.01 per share (the Series B Preferred Stock) for a purchase price of $25.00 (the Purchase Price). If issued, each fractional share of Series B Preferred Stock would give the shareholder approximately the same dividend, voting and liquidation rights as does one share of Common Stock. However, prior to exercise or exchange as provided in the Amended Rights Plan, a Right does not give its holder any rights as a shareholder, including without limitation any dividend, voting or liquidation rights.

Exercisability. The Rights will not be exercisable until the earlier of (i) 10 business days after the first date of a public announcement that a person or group (other than an Exempted Person within the meaning the Amended Rights Plan) has become an Acquiring Person and (ii) 10 business days (or such later date as may be determined by the Board by action prior to such person or group becoming an Acquiring Person) after the date of commencement of, or the first public announcement of an intention to commence, a tender offer or exchange offer, the consummation of which would result in any person (other than an Exempted Person) becoming an Acquiring Person. We refer to the date that the Rights become exercisable as the Distribution Date. Until the Distribution Date, Common Stock certificates will evidence the Rights and may contain a notation to that effect. Any transfer of shares of Common Stock prior to the Distribution Date will constitute a transfer of the associated Rights. After the Distribution Date, the Rights may be transferred other than in connection with the transfer of the underlying shares of Common Stock.

After the Distribution Date, each holder of a Right, other than Rights beneficially owned by any Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right and payment of the Purchase Price, that number of shares of Common Stock and/or other securities or property having a market value of two times the Purchase Price.

Exchange. After the Distribution Date, subject to certain limitations, the Board may exchange the Rights (other than Rights owned by an Acquiring Person which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock or a fractional share of Series B Preferred Stock (or of a share of a similar class or series of our preferred stock having similar rights, preferences and privileges) of equivalent value, per Right (subject to adjustment).

Expiration. The Rights and the Amended Rights Plan will expire on the earliest of (i) the close of business on December 6, 2014, (ii) the close of business on December 6 , 2012 if shareholder approval of the Amended Rights Plan has not been received by or on such date, (iii) the adjournment of the 2012 Annual Meeting if shareholder approval of the Amended Rights Plan has not been received prior to such time, (iv) the repeal of Section 382 or any successor statute if the Board determines that the Amended Rights Plan is no longer necessary for the preservation of Tax Benefits or (v) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward.

Redemption. At any time prior to the time an Acquiring Person becomes such, the Board may redeem the Rights in whole, but not in part, at a price of $0.01 per Right, subject to adjustment to reflect stock splits,

stock dividends or similar transactions (the Redemption Price) payable, at the option of the Company, in cash, shares of Common Stock or such other form of consideration as the Board may determine. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Anti-Dilution Provisions. The Purchase Price payable, and the number of shares of Series B Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution that may occur as a result of certain events, including among others, a stock dividend, a stock split or a reclassification. Subject to certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

Amendments. Before the Distribution Date, the Company may, except with respect to the Redemption Price, amend or supplement the Amended Rights Plan without the consent of the holders of the Rights. After the Distribution Date, the Company may amend, except with respect to the Redemption Price, the Amended Rights Plan in any manner that does not adversely affect the interests of holders of the Rights.

Certain Considerations Relating to the Amended Rights Plan

Our Board believes that attempting to protect the Tax Benefits described above is in the best interests of the Company and our shareholders. Nonetheless, we cannot eliminate the possibility that an Ownership Change will occur even if the Amended Rights Plan is approved. You should consider the factors below when making your decision.

Continued Risk of Ownership Change. We cannot assure you that the Amended Rights Plan will be effective in deterring all acquisitions that could result in an Ownership Change. In particular, it will not protect against an Ownership Change resulting from purchasers of shares who become 5-percent shareholders notwithstanding the Amended Rights Plan, either because the purchaser is unaware of the Amended Rights Plan or makes a conscious decision to discount the potential consequences under the Amended Rights Plan.

Potential IRS Challenge to the Tax Benefits. The amount of the Tax Benefits has not been audited or otherwise validated by the IRS. The IRS could challenge the amount of the Tax Benefits, which could result in an increase in our liability in the future for income taxes. As discussed above, determining whether an Ownership Change has occurred is subject to uncertainty, both because of the complexity of the Section 382 provisions and because of limitations on the knowledge that any publicly traded company can have about the ownership of, and transactions in, its securities on a timely basis. Therefore, we cannot assure you that the IRS or other taxing authority will not claim that we experienced an Ownership Change and attempt to reduce or eliminate our utilization of Tax Benefits even if the Amended Rights Plan is in place.

Potential Effects on Liquidity. The Amended Rights Plan is intended to deter persons or groups of persons from acquiring beneficial ownership of shares of our Common Stock in excess of the specified limitations. A shareholder s ability to dispose of our Common Stock may be limited if the Amended Rights Plan reduces the number of persons willing to acquire our Common Stock or the amount they are willing to acquire.

Potential Impact on Value. It is possible that the Amended Rights Plan could deter certain buyers, including persons who wish to acquire more than 4.99% of our Common Stock, and that this could result in diminished demand for and, therefore, potentially decrease the value of our Common Stock. We believe, however, the value protected as a result of the preservation of the Tax Benefits would outweigh any such potential decrease in the value of our Common Stock.

Potential Anti-Takeover Effect. The Amended Rights Plan is designed to preserve the long-term value of our accumulated Tax Benefits and is not intended to prevent a takeover of the Company. However, it could be

deemed to have an anti-takeover effect because, among other things, it restricts the ability of a person, entity or group to accumulate our

Common Stock above the applicable thresholds, without the approval of our Board. The Amended Rights Plan approval proposal is not part of a plan by us to adopt a series of anti-takeover measures, and we are not presently aware of any potential takeover transaction.

Required Vote

Approval of the Amended Rights Plan requires the affirmative vote of the majority of shares of Common Stock present in person , or represented by proxy, and entitled to vote on the proposal at the Annual Meeting.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE AMENDED RIGHTS PLAN.

PROPOSAL 3

RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP (PwC) served as our independent registered public accounting firm for 2011 and has been selected to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Representatives of the Company s independent registered public accounting firm are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from the shareholders.

Required Vote

Approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 requires the affirmative vote of the majority of shares of common stock present in person, or represented by proxy, and entitled to vote on the proposal at the Annual Meeting.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.

Fees Paid to PricewaterhouseCoopers LLP

Aggregate fees billed to the Company in the years ended December 31, 2011 and 2010, by PwC were as follows (dollars in millions):

	Year Ended December 31,	
	2011	**2010**
Audit fees(a)	$2.5	$3.2
Audit-related fees(b)	.1	.1
Tax fees		
All other fees		
Total	$2.6	$3.3

(a) Audit fees were for professional services rendered for the audits of CNO s consolidated financial statements, statutory and subsidiary audits, issuance of comfort letters, and assistance with review of documents filed with the SEC .

(b) Audit-related fees primarily include services provided for employee benefit plan audits and other assurance-related services.

Pre-Approval Policy

The Audit and Enterprise Risk Committee has adopted a policy requiring pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

In 2010 and 2011, all new engagements of PwC were pre-approved by the Audit and Enterprise Risk Committee for all audit, audit-related, tax and other services.

Report of the Audit and Enterprise Risk Committee

The Audit and Enterprise Risk Committee (the Audit Committee) provides assistance to the Board in fulfilling its responsibilities for oversight of the integrity of the financial statements, public disclosures and financial reporting practices of the Company, including the systems of internal controls. The Audit Committee has sole authority to appoint or replace the Company s independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee.

In overseeing the preparation of the Company s audited financial statements for the year ended December 31, 2011, the Audit Committee met with management and with PwC, the Company s independent registered public accounting firm. The Audit Committee also discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards,* Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received from PwC the written disclosure and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC s communications with the Audit Committee concerning independence, and the Audit Committee has discussed the independence of PwC with that firm.

Based on the reviews and discussions referenced above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

Submitted by the Audit and Enterprise Risk Committee:

Robert C. Greving, Chair
R. Keith Long
Neal C. Schneider

PROPOSAL 4 NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

General

In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act) and the related rules of the SEC, we are including in these proxy materials a separate resolution subject to shareholder vote to approve, in a non-binding advisory vote, the compensation paid to our N amed E xecutive O fficers as discussed on pages 16 44 . While the results of the vote are non-binding and advisory in nature, the Board intends to carefully consider the results of this vote. The current frequency of non-binding advisory votes on executive compensation is an annual vote and we anticipate that the next vote will be at the next Annual Meeting. The language of the resolution is as follows:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed in this proxy statement pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and any related narrative discussion, is hereby a pproved.

The compensation of our executive officers is based on a philosophy and a comprehensive compensation and benefits strategy developed by the Human Resources and Compensation Committee designed to reward overall and individual performance that drives long-term success for our shareholders. The committee strives to provide a clear award program that allows us to attract, incentivize and retain seasoned executive talent with significant industry experience required to continue to improve our performance and build long-term shareholder value. In considering their vote, shareholders are urged to read the section of this proxy statement entitled Executive Compensation , including the Compensation Discussion and Analysis, for a detailed discussion of how our compensation policies and practices implement our compensation philosophy.

Required Vote

The affirmative vote of the majority of shares of common stock present in person or represented by proxy and entitled to vote on the subject matter is required to approve the compensation paid to our N amed E xecutive O fficers. Abstentions will have the effect of a vote against this proposal. Broker non-votes will have no effect on the outcome of the vote with respect to this proposal because the shares subject to the broker non-vote will not be entitled to vote on this matter.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS.

RELATED PARTY TRANSACTIONS

On July 1, 2011, we invested $25 million in limited partnership interests of Paulson Advantage, L.P. (the Fund). The Fund is managed by Paulson & Co. Inc. (Paulson). The Fund and other funds managed by Paulson collectively own approximately 9.7% of our outstanding shares of common stock. In addition, Paulson, on behalf of several investment funds and accounts it manages, also holds warrants to purchase five million shares of our common stock and approximately $200 million aggregate principal amount of our 7.0% Convertible Senior Debentures due 2016. Charles Murphy, a Partner with Paulson, has been one of our directors since February 2010. Our $25 million investment was made as part of a program to invest funds at the holding company level to generate additional non-life income and further utilize our tax loss carryforwards. The investment was approved by the Board, as required by our policy regarding related party transactions. See Approval of Related Party Transactions on page 1 3 of this Proxy Statement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires CNO s directors and executive officers, and each person who is the beneficial owner of more than 10 percent of any class of CNO s outstanding equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of CNO. Specific due dates for these reports have been established by the SEC , and CNO is required to disclose any failure by such persons to file such reports for fiscal year 2011 by the prescribed dates. Officers, directors and greater than 10 percent beneficial owners are required to furnish CNO with copies of all reports filed with the SEC pursuant to Section 16(a). To CNO s knowledge, based solely on review of the copies of the reports furnished to CNO and written representations that no other reports were required, all filings required pursuant to Section 16(a) of the Securities Exchange Act of 1934 applicable to CNO s officers, directors and greater than 10 percent beneficial owners were timely made by each such person during the year ended December 31, 2011.

SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

Any proper proposal which a shareholder wishes to have included in the Board s proxy statement and form of proxy for the 2013 Annual Meeting must be received by CNO by November 30 , 2012. Such proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement for the 2013 Annual Meeting. In addition to the SEC rules concerning shareholder proposals, the Company s Bylaws establish advance notice procedures with regard to certain matters, including shareholder nominations for directors, to be brought before a meeting of shareholders at which directors are to be elected. In the case of an annual meeting, notice must be received by the Secretary of the Company not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year s annual meeting. In the case of a special meeting of share holders at which directors are to be elected, notice of a share holder nomination must be received by the Secretary of the Company no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made. A nomination will not be considered if it does not comply with these notice procedures and the additional requirements set forth in our Bylaws. Please note that these bylaw requirements are separate from the SEC s requirements to have a shareholder nomination or other proposal included in our proxy statement. Any shareholder who wishes to submit a proposal to be acted upon at the 2013 Annual Meeting or who wishes to nominate a candidate for election as director should obtain a copy of these bylaw provisions and may do so by written request addressed to the Secretary of CNO Financial Group, Inc. at 11825 North Pennsylvania Street, Carmel, Indiana 46032.

ANNUAL REPORT

Access to CNO s Annual Report for 2011 (which includes its annual report on Form 10-K as filed with the SEC) is being provided with this proxy statement to all holders of common stock as of March 12, 2012. The Annual Report is not part of the proxy solicitation material. **If you wish to receive an additional copy of the Annual Report for 2011 , the Form 10-K , this Proxy Statement or the Notice without charge, please contact CNO Financial Group, Inc. Investor Relations, 11825 North Pennsylvania Street, Carmel, Indiana 46032; or by telephone (317) 817-2893 or email ir@CNOinc.com.**

INFORMATION RELATED TO CERTAIN NON-GAAP FINANCIAL MEASURES

Net operating income is defined as net income before: (i) loss on extinguishment of debt, net of income taxes; (ii) net realized investment gains or losses, net of related amortization and income taxes; (iii) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, net of related amortization and income taxes; and (iv) increases or decreases to our valuation allowance for deferred tax assets. 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.

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The calculation of book value per common share excludes accumulated other comprehensive income (loss) 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 the unrealized appreciation (depreciation) of our investments, which is primarily related to changes in interest rates and is unrelated to the Company s business operations.

Reconciliations of these non-GAAP measures to the corresponding GAAP measures are presented below (dollars in millions, except share and per share amounts):

	Year ended December 31,	
	2011	2010
Net income	$ 382.5	$ 284.6
Net realized investment (gains) losses, net of related amortization and taxes	(35.5)	(12.1)
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	9.8	
Valuation allowance for deferred tax assets	(143.0)	(95.0)
Loss on extinguishment of debt	2.2	4.4
Net operating income (a non-GAAP financial measure)	$ 216.0	$ 181.9
Total shareholders equity	$ 5,032.6	$ 4,325.3
Less accumulated other comprehensive income	625.5	238.3

	Year ended December 31,	
Total shareholders equity excluding accumulated other comprehensive income (a non-GAAP financial measure)	$ 4,407.1	$ 4,087.0
Shares outstanding for the period	241,304,503	251,084,174
Book value per share	$ 20.86	$ 17.23
Less accumulated other comprehensive income	2.60	.95
Book value, excluding accumulated other comprehensive income, per share (a non-GAAP financial measure)	$ 18.26	$ 16.28

OTHER MATTERS

Management knows of no other matters which may be presented at the Annual Meeting. If any other matters should properly come before the meeting, the persons named in the form of proxy will vote in accordance with their best judgment on such matters.

By Order of the Board of Directors

Karl W. Kindig
Senior Vice President and Secretary

March 30 , 2012

ANNEX A

AMENDED AND RESTATED SECTION 382 RIGHTS AGREEMENT

CNO FINANCIAL GROUP, INC.
and
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
as Rights Agent

Dated as of December 6, 2011

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AMENDED AND RESTATED SECTION 382 RIGHTS AGREEMENT

This Amended and Restated Section 382 Rights Agreement, dated as of December 6, 2011 (as amended, supplemented or otherwise modified from time to time, the Rights Agreement) between CNO Financial Group, Inc., a Delaware corporation (the Company), and American Stock Transfer & Trust Company, LLC, as rights agent (the Rights Agent), amends and restates that certain Section 382 Rights Agreement, dated January 20, 2009 (the Original Rights Agreement) between the Company and the Rights Agent.

WHEREAS, (a) the Company and certain of its Subsidiaries (as defined below) have generated net operating losses for United States federal income tax purposes (NOLs); (b) such NOLs may potentially provide valuable Tax Benefits (as defined below) to the Company; (c) the Company desires to avoid an ownership change within the meaning of Section 382 (as defined below), and thereby preserve the ability to utilize such Tax Benefits; and (d) in furtherance of such objective, the entered into the Original Rights Agreement;

WHEREAS, in connection with the adoption of the Original Rights Agreement, the Board of Directors of the Company on January 20, 2009 authorized and declared a dividend of one preferred share purchase right (a Right) for each share of Common Stock (as defined below) of the Company outstanding as of the Close of Business (as defined below) on January 30, 2009 (the Record Date), each Right representing the right to purchase one one-thousandth (subject to adjustment) of a share of Preferred Stock (as defined below), upon the terms and subject to the conditions set forth in the Original Rights Agreement, and the Board of Directors further authorized and directed the issuance of one Right (subject to adjustment as provided herein) with respect to each share of Common Stock that shall become outstanding between the Record Date and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined); provided, however, that Rights may be issued with respect to shares of Common Stock that shall become outstanding after the Distribution Date and prior to the Expiration Date in accordance with Section 22;

WHEREAS, the Board of Directors has determined it is in the best interests of the Company and its stockholders to extend the term of the Original Rights Agreement and to amend certain other provisions therein; and

WHEREAS, pursuant to Section 27 of the Original Rights Agreement, the Board of Directors has authorized and approved the amendment and restatement of the Original Rights Agreement, and an appropriate officer of the Company has delivered a certificate to the Rights Agent in accordance with Section 27 of the Original Rights Agreement.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Rights Agreement, the following terms have the meaning indicated:

(a) Acquiring Person shall mean any Person (as defined below) who is or shall have become a Threshold Holder (as defined below), whether or not such Person continues to be a Threshold Holder, but shall not include (i) an Exempted Person (as defined below), or (ii) any Grandfathered Person (as defined below); provided, however, that a Person will not be deemed to have become an Acquiring Person solely as a result of (x) a reduction in the number of shares of Common Stock or any other class of Company 382 Securities outstanding, (y) the exercise of any options, warrants, rights or similar interests (including restricted stock) granted by the Company to its directors, officers and employees, or (z) any unilateral grant of any security by the Company, unless and until such time as such Person thereafter acquires beneficial ownership of any additional shares of Common Stock or additional shares of any class of Company 382 Securities (other than Common Stock), as applicable. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, determine that any Person shall not be deemed to be an

Acquiring Person for any purposes of this Rights Agreement.

(b) Affiliate and Associate shall mean, with respect to any Person, any other Person whose common stock would be deemed to be (i) constructively owned by such first Person, or (ii) otherwise aggregated with the shares owned by such first Person (other than aggregation solely by reason of such shares being part of the same public group as defined under Treasury Regulation Section 1.382-2T(f)(13), in each case pursuant to the provisions of Section 382, or any successor or replacement provision, and the Treasury Regulations promulgated thereunder.

(c) Approved Acquisition shall mean (i) any acquisition of Company 382 Securities that would cause a Person to qualify as a Threshold Holder and that is approved in advance by the Board of Directors, or (ii) a conversion (or other exchange) of Company 382 Securities for other Company 382 Securities where such conversion (or other exchange) does not increase the Beneficial Ownership in the Company by any Person for purposes of Section 382.

(d) Except as may expressly be set forth elsewhere herein, a Person shall be deemed the Beneficial Owner of, shall be deemed to have Beneficial Ownership of and shall be deemed to Beneficially Own any securities which such Person: (i) directly owns, or (ii) would be deemed to own constructively pursuant to Section 382 and the Treasury Regulations promulgated thereunder (including as a result of the deemed exercise of an option pursuant to Treasury Regulation Section 1.382-4(d) and including, without duplication, Company 382 Securities, as applicable, owned by any Affiliate or Associate of such Person); provided, that, a Person shall not be treated as Beneficially Owning Company 382 Securities pursuant to clause (i) above to the extent that such Person is acting solely in a fiduciary capacity in respect of such Company 382 Securities and does not have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, Company 382 Securities.

(e) Book Entry shall mean an uncertificated book entry for the shares of Common Stock.

(f) Business Day shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in the State of Indiana, or the State in which the principal office of the Rights Agent is located, are authorized or obligated by law or executive order to close.

(g) Close of Business on any given date shall mean 5:00 P.M., New York, New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York, New York time, on the next succeeding Business Day.

(h) Code shall mean the Internal Revenue Code of 1986, as amended from time to time, or any comparable successor statute.

(i) Common Stock when used with reference to the Company shall mean the common stock, par value $0.01 per share, of the Company. Common Stock when used with reference to any Person other than the Company shall mean the capital stock (or, in the case of an entity other than a corporation, the equivalent equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(j) Company 382 Securities shall mean the Common Stock of the Company and any other interest that would be treated as stock of the Company for purposes of Section 382 (including pursuant to Treasury Regulation Section 1.382-2T(f)(18)).

(k) Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

(l) Exempted Person shall mean (i) the Company, (ii) any Subsidiary (as defined below) of the Company, (in the case of subclauses (i) and (ii) including, without limitation, in its fiduciary capacity), (iii) any employee benefit plan or compensation arrangement of the Company or of any Subsidiary of the Company (iv) any entity or trustee holding (or acting in a fiduciary capacity in respect of) Company 382 Securities to the extent organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan or for the purpose of funding any such employee benefit plan or compensation arrangement, (v) any Person (together with its Affiliates and Associates) whose status as a Threshold Holder will, in the sole judgment of the Board of Directors, not jeopardize or endanger the availability to the Company of its NOL carryforwards to be used to offset its taxable income in such year or future years (but in the case of any Person determined by the Board of Directors to be an Exempted Person pursuant to this subparagraph (l)(v) only for so long as such Person s status as a Threshold Holder continues not to jeopardize or endanger the availability of such NOL carryforwards, as determined by the Board of Directors in its good faith discretion), or (vi) any Person who or which would qualify as a Threshold Holder as a result of an Approved Acquisition and, to the extent approved by the Board of Directors, any Person who or which acquires Company 382 Securities from any such Person.

(m) Final Expiration Date shall mean the earliest to occur of (i) the Close of Business on December 6, 2014 (ii) the Close of Business on December 6, 2012 if stockholder approval of this Rights Agreement has not been received by or on such date, (iii) the adjournment of the first annual meeting of the stockholders of the Company following the date hereof if stockholder approval of this Rights Agreement has not been received prior to such time, (iv) the repeal of Section 382 or any successor statute if the Board of Directors determines that this Rights Agreement is no longer necessary for the preservation of Tax Benefits or (v) the beginning of a taxable year of the Company to which the Board of Directors determines that no Tax Benefits may be carried forward.

(n) Grandfathered Person shall mean any Person who or which, together with all Affiliates and Associates of such Person, was on the date hereof, the Beneficial Owner of 4.99% or more of the Company 382 Securities outstanding on such date, unless and until such time as such Person after the date of this Rights Agreement acquires beneficial ownership of additional shares or other interests in Company 382 Securities representing more than 1% of the Company 382 Securities then outstanding. Any Grandfathered Person who, together with all of its Affiliates and Associates, subsequently becomes the Beneficial Owner of less than 4.99% of the Company 382 Securities shall cease to be a Grandfathered Person.

(o) NYSE shall mean the New York Stock Exchange, Inc.

(p) Person shall mean any individual, firm, corporation, business trust, joint stock company, partnership, trust association, limited liability company, limited partnership, or other entity, or any group of Persons making a coordinated acquisition of Company 382 Securities or otherwise treated as an entity within the meaning of Treasury Regulation Section 1.382-3(a)(1)(i), or otherwise and shall include any successor (by merger or otherwise) of any such entity.

(q) Preferred Stock shall mean the Series B Junior Participating Preferred Stock, par value $0.01 per share, of the Company having the rights and preferences set forth in the Form of Certificate of Designations attached to this Rights Agreement as *Exhibit A* and, to the extent that there is a not sufficient number of shares of the Series B Junior Participating Preferred Stock authorized to permit the full exercise of the Rights, any other series of preferred stock of the Company designated for such purpose containing terms substantially similar to the terms of the Series B Junior Participating Preferred Stock.

(r) Section 382 shall mean Section 382 of the Code, or any comparable successor provision.

(s) Securities Act shall mean the Securities Act of 1933, as amended.

(t) Stock Acquisition Date shall mean the first date of public announcement (which for purposes of this definition shall include, without limitation, a report filed pursuant to Section 13(d), Section 13(f) or Section 13(g) under the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such or that discloses information which reveals the existence of an Acquiring Person, or such earlier date as a majority of the Board of Directors becomes aware of the existence of an Acquiring Person.

(u) Subsidiary of any Person shall mean any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other persons performing similar functions are beneficially owned, directly or indirectly, by such Person, and any corporation or other entity that is otherwise controlled by such Person.

(v) Tax Benefits shall mean the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a net unrealized built-in loss within the meaning of Section 382, and the Treasury Regulations promulgated thereunder, of the Company or any of its Subsidiaries.

(w) Threshold Holder shall mean any Person who or which, together with all Affiliates and Associates of such Person, is the Beneficial Owner of 4.99% or more of the shares of Common Stock or any other class of Company 382 Securities then outstanding.

(x) "Treasury Regulations" shall mean any income tax regulations promulgated under the Code, including any amendments thereto.

Any determination required by the definitions in this Rights Agreement shall be made by the Board of Directors in its good faith judgment, which determination shall be binding on the Rights Agent and the holders of Rights.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of Common Stock) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable upon 10 days' prior notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for the acts or omissions of any such co-Rights Agent.

Section 3. Issuance of Right Certificates. (a) Until the Close of Business on the earlier of (i) the tenth Business Day after the Stock Acquisition Date (or, if the Stock Acquisition Date occurs before the Record Date, the Close of Business on the Record Date) or (ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than an Exempted Person) of, or of the first public announcement of the intention of such Person (other than an Exempted Person) to commence, a tender or exchange offer the consummation of which would result in any Person (other than an Exempted Person) becoming an Acquiring Person (irrespective of whether any shares are actually purchased pursuant to any such offer) (including, in the case of both clause (i) and (ii), any such date which is after the date of this Rights Agreement and prior to the issuance of the Rights) (the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates representing the Common Stock registered in the names of the holders thereof (or by Book Entry shares in respect of such Common Stock) and not by separate Right Certificates (as defined below), and (y) the Rights will be transferable only in connection with the transfer of Common Stock. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, postage-prepaid mail, to each record holder of Common Stock as of the Close of Business on the Distribution Date (other than any Acquiring Person or any Associate or Affiliate of an Acquiring Person), at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right (subject to adjustment as provided herein) for each share of Common Stock so held. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11 or 13 hereof, at the time of distribution of the Right Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof), so that Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) In connection with the adoption of the Original Rights Agreement, the Company sent a copy of a Summary of Rights to Purchase Shares of Preferred Stock (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Stock and holder of Book Entry shares as of the

Close of Business on the Record Date, at the address of such holder shown on the records of the Company as the address at which such holder has consented to receive notice. With respect to shares of Common Stock outstanding as of the Record Date, until the Distribution Date, the Rights associated with such shares will be evidenced by the share certificate for such shares of Common Stock registered in the names of the holders thereof or the Book Entry shares, in each case together with the Summary of Rights, in substantially the form of Exhibit C hereto. Until the Distribution Date (or, if earlier, the Expiration Date), the surrender for transfer of any certificate for Common Stock or Book Entry shares outstanding on the Record Date, with or without a copy of the Summary of Rights, shall also constitute the transfer of the Rights associated with the shares of Common Stock represented by such certificate or Book Entry shares.

(c) Rights shall be issued in respect of all shares of Common Stock issued or disposed of (including, without limitation, upon disposition of Common Stock out of treasury stock or issuance or reissuance of Common Stock out of authorized but unissued shares) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date, or in certain circumstances provided in Section 22 hereof, after the Distribution Date. Certificates issued for Common Stock (including, without limitation, upon transfer of outstanding Common Stock, disposition of Common Stock out of treasury stock or issuance or reissuance of Common Stock out of authorized but unissued shares) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them a legend substantially to the effect of the following:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in the Amended and Restated Section 382 Rights Agreement between CNO Financial Group, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of December 6, 2011 as the same may be amended, supplemented or otherwise modified from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of CNO Financial Group, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. CNO Financial Group, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights owned by or transferred to any Person who is or becomes an Acquiring Person (as defined in the Rights Agreement) and certain transferees thereof will become null and void and will no longer be transferable.

With respect to any Book Entry shares of Common Stock, such legend shall be included in a notice to the registered holder of such shares in accordance with applicable law. With respect to such certificates containing the foregoing legend, or any notice of the foregoing legend delivered to holders of Book Entry shares, until the Distribution Date, the Rights associated with the Common Stock represented by such certificates or Book Entry shares shall be evidenced by such certificates or Book Entry shares alone, and the surrender for transfer of any such certificate or Book Entry share, except as otherwise provided herein, shall also constitute the transfer of the Rights associated with the Common Stock represented thereby. In the event that the Company purchases or otherwise acquires any Common Stock after the Record Date but prior to the Distribution Date, any Rights associated with such Common Stock shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the shares of Common Stock which are no longer outstanding.

Notwithstanding this Section 3(c), neither the omission of a legend nor the failure to deliver the notice of such legend required hereby shall affect the enforceability of any part of this Rights Agreement or the rights of any holder of the Rights.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall be substantially in the form set forth in

Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Rights Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of the NYSE or of any other stock exchange or automated quotation system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of this Rights Agreement, the Right Certificates shall entitle the holders thereof to purchase such number of one one-thousandths of a share of Preferred Stock as shall be set forth therein at the Purchase Price (as determined pursuant to Section 7), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. (a) The Right Certificates shall be executed on behalf of the Company by the Chief Executive Officer, the President, any of the Vice Presidents or the Treasurer of the Company, either manually or by facsimile signature, shall have affixed thereto the Company s seal or a facsimile thereof and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be countersigned by the Rights Agent, either manually or by facsimile signature, and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such Person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at an office or agency designated for such purpose, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. (a) Subject to the provisions of this Rights Agreement, at any time after the Close of Business on the Distribution Date, and prior to the Close of Business on the Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a share of Preferred Stock (or, following such time, other securities, cash or assets as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or agency of the Rights Agent designated for such purpose. Thereupon the Rights Agent, subject to the provisions of this Rights Agreement, shall countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Subject to the provisions of this Rights Agreement, at any time after the Distribution Date and prior to the Expiration Date, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company s request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon