CNO Financial Group, Inc.
Form DEF 14A
April 12, 2011

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

(Amendment No. ^)

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

Check the appropriate box:

¨

Preliminary Proxy Statement

¨

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

x

Definitive Proxy Statement

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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)

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(1)

Amount Previously Paid:

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(2)

Form, Schedule or Registration Statement No.:

^

(3)

Filing Party:

^

(4)

Date Filed:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 12, 2011

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 12, 2011, for the following purposes:

1. To elect eight directors listed herein, each for a one-year term ending in 2012;

2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2011;

3. To cast a non-binding advisory vote on executive compensation;

4. To cast a non-binding advisory vote on the frequency of future votes on 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 14, 2011, are entitled to notice of and to vote at the meeting. Holders of common stock have one vote for each share held of record.

Management and the Board of Directors respectfully request that 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 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 enclosed voting form they send to you. The proxies of shareholders who attend the meeting in person may be withdrawn, and such shareholders may vote personally at the meeting.

By Order of the Board of Directors

Karl W. Kindig, *Secretary*

April 12, 2011
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 12, 2011, at 8:00 a.m., Eastern Daylight Time. It is expected that this Proxy Statement and proxy will be mailed to the shareholders on or about April 13, 2011.

Solicitation of Proxies

The enclosed proxy is 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 mailing to the shareholders of the Notice, this Proxy Statement and the form of proxy are to be paid by CNO.

If the enclosed form of proxy is properly executed and returned in time for the meeting, the named proxy holders will vote the shares represented by the proxy in accordance with the instructions marked on the proxy. Proxies returned unmarked will be voted for each of the board s nominees for director (Proposal 1), for the ratification of the appointment of the Company s independent registered public accounting firm (Proposal 2), for approval of the compensation paid to our named executive officers (Proposal 3) and for one year with respect to the frequency of future votes on executive compensation (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 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 14, 2011, will be entitled to vote at the meeting. On such record date, CNO had 253,119,376 shares of common stock outstanding and entitled to vote. Each share of common stock will be entitled to one vote with respect to each matter submitted to a vote at the 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.

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 may be able to vote by telephone or via the Internet. Please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

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.

Votes Required

The election of directors (Proposal 1) will be determined by a majority of the votes cast by the holders of shares represented (in person or by proxy) and entitled to vote at the Annual Meeting provided a quorum is present. The vote required to approve the ratification of the appointment of the Company s independent registered public accounting firm (Proposal 2), the advisory vote on executive compensation (Proposal 3) and the advisory vote on frequency of the vote on executive compensation (Proposal 4) is the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. 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 the eight directors listed in this Proxy Statement) and Proposals 3 and 4 (relating to non-binding votes on executive compensation). Your broker will have discretion to vote your uninstructed shares on Proposal 2 (ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2011).

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 12, 2011

This Proxy Statement and the Company s Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011, are available on our Internet website at www.CNOinc.com, in the Investor Relations SEC Filings section. 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, by calling 317-817-2893 or by sending the Company an email at ir@CNOinc.com. For directions to the Company s 2011 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 14, 2011 (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 31 and all of our current directors 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 14, 2011 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)	24,455,000	9.7%
Common stock	Columbia Wanger Asset Management, LLC(2)	24,084,000	9.5
Common stock	FMR LLC (3)	15,896,966	6.3
Common stock	Dimensional Fund Advisors LP (4)	15,793,789	6.3
Common stock	BlackRock, Inc.(5)	13,839,015	5.5
Common stock	R. Glenn Hilliard(6)	1,549,245	*
Common stock	Donna A. James	47,620	*
Common stock	R. Keith Long(7)	2,195,913	*
Common stock	Charles W. Murphy		*
Common stock	Debra J. Perry(8)	69,194	*
Common stock	C. James Prieur(9)	2,369,942	*
Common stock	Neal C. Schneider(8)	65,220	*
Common stock	Michael T. Tokarz(8)	79,720	*
Common stock	John G. Turner(8)	73,720	*
Common stock	David K. Zwiener	52,532	*
Common stock	Robert C. Greving		*
Common stock	Frederick J. Sievert		*
Common stock	Edward J. Bonach(10)	622,963	*
Common stock	Eric R. Johnson(11)	477,576	*
Common stock	Scott R. Perry(12)	566,074	*
Common stock	Steven M. Stecher(13)	442,675	*
Common stock	All directors and executive officers as a group (20 persons)(14)	9,602,447	3.7

* Less than 1%.

(1) Based solely on the Amendment No. 1 to Schedule 13D filed with the SEC on February 19, 2010 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 the Amendment No. 5 to Schedule 13G filed with the SEC on February 11, 2011 by Columbia Wanger Asset Management, LLC. The Amendment No. 5 to Schedule 13G reports sole power to vote or direct the vote of 23,734,000 shares and sole power to dispose or direct the disposition of 24,084,000 shares. The business address for Columbia Wanger Asset Management, L.P. is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

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(3) Based solely on the Schedule 13G filed with the SEC on February 11, 2011 by FMR LLC and Edward C. Johnson 3d. The Schedule 13G reports sole power to vote or direct the vote of 56,440 shares and the sole power to dispose or direct the disposition of 15,896,966 shares of stock. The business office address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.

(4) Based solely on Schedule 13G filed with the SEC on February 11, 2011 by Dimensional Fund Advisors LP. The Schedule 13G reports sole power to vote or direct the vote of 15,464,639 shares and sole power to dispose or direct the disposition of 15,793,789 shares. The business address for Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746.

(5) Based solely on Schedule 13G filed with the SEC on February 3, 2011 by BlackRock, Inc. The Schedule 13G reports sole power to vote or direct the vote of 13,839,015 shares and sole power to dispose or direct the disposition of 13,839,015 shares. The business address for BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.

(6) Includes 50,000 shares held by a family charitable foundation, of which Mr. Hilliard is one of five trustees. He disclaims beneficial ownership of such shares. Also includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 755,000 shares of common stock at exercise prices ranging from $17.87 to $19.61 per share.

(7) Includes 123,813 shares held directly by Mr. Long, 734,100 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.

(8) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 15,400 shares of common stock.

(9) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 1,302,500 shares of common stock.

(10) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 276,750 shares of common stock.

(11) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 372,250 shares of common stock.

(12) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 344,750 shares of common stock.

(13) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase 296,750 shares of common stock.

(14) Includes options, exercisable currently or within 60 days of March 14, 2011, to purchase an aggregate of 4,082,600 shares of common stock held by directors and executive officers.

PROPOSAL 1

ELECTION OF DIRECTORS

Eight individuals will be elected to the Board for one-year terms expiring at the 2012 annual meeting of shareholders. Six of the nominees listed below (R. Keith Long, Charles W. Murphy, C. James Prieur, Neal C. Schneider, Michael T. Tokarz and John G. Turner) are currently members of the board of directors. The other nominees, Robert C. Greving and Frederick J. Sievert, will join the Board upon election at the Annual Meeting. Each of the other current directors, R. Glenn Hilliard, Donna A. James, Debra J. Perry and David K. Zwiener, has decided not to seek re-election. The decisions not to seek re-election were not based on any disagreement with the Company relating to its operations, policies or practices. The Company thanks them for their many years of service to the Company. 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 candidates identified through that process, the Governance and Strategy Committee recommended that Mr. Greving and Mr. Sievert be nominees 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 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 does not have a written policy regarding shareholder nominations for director candidates. The Governance and Strategy Committee will, however, consider candidates for director nominees put forward by shareholders. See Shareholder Proposals for 2012 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 of directors for election as a director.

Nominees for Election as Directors:

Robert C. Greving, 59, has been nominated to join the Board, effective at the Annual Meeting. 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, 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, 62, joined our board of directors 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, the Board and the Governance and Strategy Committee considered his extensive investment experience and prior experience in the insurance industry.

Charles W. Murphy, 50, joined our board of directors 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, the Board and the Governance and Strategy Committee considered his extensive financial and investment experience.

C. James Prieur, 59, has been chief executive officer and a director since September 2006. Before joining Conseco, Mr. Prieur had been with Sun Life Financial since 1979. He began his career in private placements, then equity and fixed income portfolio management, rising to vice president of investments for Canada in 1988, and then vice president of investments for the U.S. in 1992. In 1997 he was named senior vice president and general manager for all U.S. operations, and became corporate president and chief operating officer in 1999. While at Sun Life, Mr. Prieur managed multiple lines of business, including life, annuities, and health products. He led divisions in the United States, Canada, the United Kingdom and Asia. He is a Chartered Financial Analyst. With respect to Mr. Prieur, the Board and the Governance and Strategy Commiteee considered his experience as chief executive officer of the Company and his extensive insurance industry, investment and executive management experience.

Neal C. Schneider, 66, joined our board of directors 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, the Board and the Governance and Strategy Commiteee considered his extensive knowledge and experience in accounting and financial matters, particularly with respect to insurance companies.

Frederick J. Sievert, 63, has been nominated to join the Board, effective at the Annual Meeting. 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, the Board and the Governance and Strategy Commiteee considered his extensive insurance, actuarial and executive management experience.

Michael T. Tokarz, 61, joined our board of directors 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, the Board and the Governance and Strategy Commiteee considered his extensive knowledge and executive management experience in banking and finance, investments and corporate governance.

John G. Turner, 71, joined our board of directors 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 has served as a director of Hormel Foods Corporation since 2000 and currently is Lead Director and serves on its Compensation Committee and its Governance Committee. From 1999 to 2005, he served as a director of Shopko Stores, Inc. and from 2000 to 2007 he served as a director of ING funds. Mr. Turner is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. With respect to Mr. Turner, the Board and the Governance and Strategy Commiteee considered his extensive insurance industry, executive management, investment management, actuarial and regulatory experience.

Voting for Directors

In an uncontested election, any incumbent director who fails to receive a majority of the votes cast shall offer to tender his or her resignation to the Board of Directors. In such event, the Governance and Strategy Committee will consider the offer and make a recommendation to the Board of Directors whether to accept or reject the resignation. The Board of Directors will publicly disclose its decision and rationale within 90 days from the certification of the election results.

Recommendation of your Board of Directors

YOUR 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. Schneider, Mr. Long, Mr. Turner and Mr. Zwiener, with Mr. Schneider serving as chairman of the committee. Based on his 34 years with Arthur Andersen & Co., including service as partner in charge of the Worldwide Insurance Industry Practice and the North American Financial Services Practice, Mr. Schneider qualifies as an audit committee financial expert, as defined under Securities and Exchange Commission 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 Securities and Exchange Commission 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 12 occasions in 2010. 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, Ms. Perry and Mr. Schneider, 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 three meetings during 2010. 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 policy; recommending to the board the compensation of the chief executive officer and other senior officers; and reviewing and administering our incentive compensation and equity award plans. The report of the Human Resources and Compensation Committee appears on page 31 of this Proxy Statement. The Human Resources and Compensation Committee currently consists of Ms. Perry, Ms. James and Mr. Tokarz, with Ms. Perry serving as committee chair. It is anticipated that Mr. Turner will chair the Human Resources and Compensation Committee after the Annual Meeting. All current members of the Human Resources and Compensation Committee, as well as Mr. Turner, 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 five occasions in 2010. 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. Prieur, Mr. Long, Mr. Murphy, Ms. Perry, Mr. Turner and Mr. Zwiener, with Mr. Turner serving as chairman of the committee. It is anticipated that Mr. Long will chair the Investment Committee after the Annual Meeting. The committee met on six occasions in 2010. 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 of directors in the management of our business affairs during intervals between board meetings. The Executive Committee currently consists of Mr. Hilliard, Mr. Prieur and Mr. Turner, with Mr. Turner serving as chairman of the committee. 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 $70,000, 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 have received $70,000 in annual equity awards, which vest immediately upon grant. The amount of fees paid to our non-employee directors has not changed since it was first set in 2003, except for a $10,000 increase implemented in 2007 in the additional fee paid to the chair of the Human Resources and Compensation Committee. The Governance and Strategy Committee has recommended that the base annual fee paid to directors be increased by $10,000, effective at the Annual Meeting. The Board s policy is to review and set the compensation of the non-employee directors each year at the annual Board 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 2010 to our non-employee directors is summarized in the table below:

DIRECTOR COMPENSATION IN 2010

Name	Fees earned or paid in cash(1)	Stock awards(2)	Total
R. Glenn Hilliard	$122,500	$122,499	$244,999
Donna A. James	70,000	69,999	139,999
R. Keith Long	85,000	69,999	154,999
Charles W. Murphy	0	0	0
Debra J. Perry	100,000	69,999	169,999
Neal C. Schneider	115,000	69,999	184,999
Michael T. Tokarz	90,000	69,999	159,999
John G. Turner	105,000	69,999	174,999
David K. Zwiener	75,659	69,999	145,658

(1) This column represents the amount of cash compensation paid in 2010 for Board service, for service as Non-Executive Chairman, for service on the Audit and Enterprise Risk Committee and for chairing a committee.

(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 11, 2010. Mr. Hilliard received an award of 20,181 shares of common stock on that date and each of the other listed directors (other than Mr. Murphy) received an award of 11,532 shares of common stock. These awards vested immediately upon grant.

The directors had the following number of options outstanding at December 31, 2010 Mr. Hilliard (755,000); Ms. Perry (15,400), 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 $19.12.

Board Leadership Structure

CNO has a non-executive, independent director, who serves as Chairman of the Board. Mr. Hilliard, who is not seeking re-election, currently serves in that capacity. It is anticipated that Mr. Schneider will serve in that capacity after the Annual Meeting. 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 board 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 C. James Prieur, our chief executive officer. As CEO, Mr. Prieur, 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. They 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 2010, the Board met on 11 occasions. Each director attended at least 75% of the meetings of the Board and Board committees on which they 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 2010.

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 NYSE 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. Prieur are independent and has determined that Mr. Greving and Mr. Sievert are also 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 month and is co-chaired by the chief executive officer and the chief financial officer. The Company has a vice president whose full time responsibilities are 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 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 do not incentivize inappropriate risk taking that could lead to a material adverse impact on the Company. 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 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 of directors 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 Chairman of the Board or the Chairman 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 board 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 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.

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 $70,000 per year, the ownership guidelines call for each director to own shares with a value of at least $210,000. As of March 14, 2011, 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 CNO s board of directors or any one or more individual members (including the presiding director 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

Ms. James, Mr. Tokarz and Ms. Perry served on the Human Resources and Compensation Committee throughout 2010 and Mr. Hilliard served until April 30, 2010. None of the current members of the Human Resources and Compensation Committee is or has been one of our officers or employees. None of our executive officers serves, or served during 2010, 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 of directors 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 Ethics and Board of Governance Operating Guidelines upon request to CNO Investor Relations, 11825 N. Pennsylvania Street, Carmel, Indiana 46032; 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 middle-market Americans.

CNO delivered a strong year of financial performance in 2010. Operating income was up 11% over the previous year, driven in part by strong investment portfolio performance. The consolidated statutory risk-based capital ratio of our insurance subsidiaries increased 23 percentage points to 332%, and book value per common share, excluding accumulated other comprehensive income (loss), increased to $16.28 from $15.14. 2010 also saw our stock price increase by 35%. In December of 2010, we completed a comprehensive refinancing of our debt, which strengthened our capital structure and significantly lengthened the maturity of our debt, resulting in increased financial flexibility.

CNO s Fix, Focus and Grow approach continued to focus on:

Refining our product mix to better meet our customers needs and enhance our long-term profitability;

Strengthening our capital position and improving financial flexibility;

Maximizing return on our investment portfolio subject to appropriate risk assessment;

Implementing improvements in operational efficiency while reducing the expenses associated with the underlying cost structure; and

Incentivizing and developing 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 2010 to support our compensation objectives.

Summary of Key Actions, Decisions and Results in 2010

No merit (base salary) increases for the vast majority of executives (vice president level and above), including the Named Executive Officers: Due to the continued uncertainty of the economic climate, as

well as general market trends, the Human Resources and Compensation Committee (the Committee) decided not to award base salary increases to most executives in 2010.

Utilized a one-time restricted stock grant to enhance retention of key executive talent: In light of the decision not to provide merit increases for the second year in a row to most executives in 2010, certain executive officers, including four Named Executive Officers, were granted restricted shares in 2010 as a special retention measure and to reward individual performance.

Metrics for Annual Cash Incentive Plan reauthorized by shareholders: Certain changes were adopted for the 2010 Pay for Performance plan (P4P), including the re-authorization of performance metrics by shareholders in order to ensure compliance with Section 162(m) of the Internal Revenue Code.

Strong 2010 P4P results: Driven by strong financial results of the Company and our operating segments, P4P payouts ranged from 95% to 193% of target for the Named Executive Officers.

Introduced restricted shares (R-Shares) as part of the annual equity grant: In previous years, the only components of our annual equity grant were stock options and Performance Shares (P-Shares). For 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.

2008-2010 P-Shares not earned: At the end of the performance period (December 31, 2010), the performance goals for the 2008-2010 P-Share grant were not achieved. Accordingly, no P-Shares vested from this grant.

CEO grant in 2010 represented a premium to the market median: The value of the annual equity grant made to our Chief Executive Officer in 2010 included a premium over the market median to reward his performance and leadership in delivering on our business objectives and strengthening our capital position at the end of 2009.

These key actions and decisions resulted in the following compensation for our Named Executive Officers:

NEO Compensation Resulting from Key 2010 Actions and Decisions

Named Executive Officer	**Base Salary**	**2010 P4P(2)**

		Merit (Base Salary) Increase	Merit/ Retention Award(1)	New Base Salary		LTI Award Value(3)
James Prieur, Chief Executive Officer	$900,000	0%	$ 0	$900,000	$1,665,947	$4,139,369
Edward Bonach, Chief Financial Officer	$472,500	8%(4)	$19,880	$510,000	$ 746,710	$1,075,267
Eric Johnson, President 40|86 Advisors	$500,000	0%	$14,910	$500,000	$ 968,117	$ 691,796
Scott Perry, President Bankers Life & Casualty	$441,324	0%	$19,880	$441,324	$ 698,624	$1,030,763
Steven Stecher, President Conseco Insurance Group	$412,000	0%	$17,395	$412,000	$ 391,626	$ 898,047

(1) Provided in the form of restricted shares, expressed here in terms of grant date fair value

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

(3) Expressed as the grant date fair value of stock options, performance shares and restricted shares

(4) Mr. Bonach received a base salary increase for leading our Company through an amendment to our senior credit facility and to address internal equity

Summary of Compensation Governance Practices

The Human Resources and Compensation Committee has endeavored to maintain good governance standards in our compensation practices. They include:

Adopted Stock Ownership Guidelines: In early Spring of 2011, the Committee approved stock ownership guidelines for the Chief Executive Officer and the senior executive officers who report to him, to be implemented in May 2011.

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 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.

Separation of Board Chair and Chief Executive Officer positions: We have operated with these roles separated for several years.

No supplemental executive retirement programs (SERPs) offered: We do not offer SERPs to our current executives.

Independence of executive compensation consultant: The advisor to the Committee does not provide any services to management and had no prior relationship with our Chief Executive Officer or other Named Executive Officers.

Independence of Committee Members: In 2010, the Chair of the Board of Directors became a non-voting participant of the Committee in order to satisfy the Committee s independence requirements.

Percent of Variable and Performance-Based Pay: Variable pay comprises a significant portion of Total Direct Compensation for our Named Executive Officers (approximately between 70% and 85%), the majority of which is in long-term incentives (approximately between 40% to 65%).

Continued to utilize a Governor in the Annual Incentive Plan: In 2010, we continued a policy which limits incentive payments on non-income-related metrics when we do not achieve overall threshold operating earnings.

Strengthened Clawback Rights: In 2010, we strengthened clawback provisions in our P4P plan to 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 Human Resources and Compensation 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 underlying compensation philosophy consists of the following guiding principles:

Pay for Performance: Rewards will vary based on overall, 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 competitive 75th percentile compensation for achieving superior performance.

Relevant Comparator Group: The relevant comparator group (in this case, the participant companies in the Towers Watson surveys indicated below) will primarily be the insurance/financial services industry and general industry where appropriate, taking both national and geographical differences into consideration.

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 levels that represent 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 upholding 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 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. Below target performance results in compensation below target levels.

The Committee assesses competitive market compensation annually using a number of sources. At the recommendation of the independent compensation consultant, the Committee elected to use the Towers Watson Financial Services Survey as the primary data source in setting competitive market levels for four of our Named Executive Officers in 2010. For the President of 40|86 Advisors, Inc., the Committee used the Life Office Management Association (LOMA) Executive Survey, conducted by Towers Watson.

Survey Participants

2010 Towers Watson Financial Services Executive Survey	**2010 Towers Watson LOMA Executive Survey**
American Family Insurance	American Family Insurance
American United Life	Blue Shield of California
Aviva	COUNTRY Financial
CIGNA	CUNA Mutual Group
Great West Life Annuity	Erie Insurance Group
Guardian Life	Farmers Insurance Group
Munich Re Group	FBL Financial Group, Inc.
Phoenix Companies	Fidelity Investments
Progressive Corporation	Great American Insurance
Protective Life	Legal & General America
RGA Reinsurance Group	Modern Woodmen of America
Securian Financial Group	Mutual of Omaha
Security Benefit Group	National Life Group
Sun Life Financial	National Western Life Insurance Co.
United Health	Ohio National Financial Services
Unum Group	OneAmerica Financial Partners, Inc.
WellPoint	Reinsurance Group of America
Willis Group Holdings	Securian Financial Group
	Southern Farm Bureau Life Insurance Co.
	StanCorp Financial Group
	Texas County & District Retirement System
	UNIFI Companies
	Woodmen of the World

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, the pay levels for similar job functions in the marketplace, the individual s business segment, and our Company as a whole. 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 current 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, individual performance and tenure.

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 Human Resources and Compensation 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. In addition, two of our other directors (including the Chair of the Board of Directors) are non-voting participants in meetings and discussions of the Committee. From time to time, other Board members may also participate in the Committee s meetings. In 2010, the Chair of the Board of Directors became a non-voting participant of the Committee in order to satisfy independence requirements of the Human Resources and Compensation Committee. 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 has recently been updated and approved by our full Board of Directors and 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 and may be terminated without notice by the Committee at any time. 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 services to our management.

Although Aon Hewitt is retained directly by the Committee, Aon Hewitt personnel often interact with our executive officers, specifically the Chief Executive Officer, Executive Vice President of Human Resources, 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 2010 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 independent voting 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.

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)
- Benefits

Table 1 summarizes information about the target level of 2010 Total Annual Cash (TAC) and Total Direct Compensation (TDC) for our Named Executive Officers. This table differs from the Summary Compensation Table in that values generally represent target amounts and equity grants which are part of our normal long-term incentive program for 2010 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 2010, details of which can be found in the Special Retention Awards section of this document.

Table 1 Summary of Components of TDC in 2010(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)
James Prieur, Chief Executive Officer	$900,000	125%	$2,025,000	$2,070,841	$1,034,264	$1,034,264	$4,139,369
% Change vs. 2009(4)	*0.0%*		*0.0%*				
% of TDC	*14.6%*		*32.9%*				*67.1%*
Edward Bonach, Chief Financial Officer	$510,000(5)	100%	$1,020,000	$ 538,171	$ 268,548	$ 268,548	$1,075,267
% Change vs. 2009(4)	*7.9%*		*7.9%*				
% of TDC	*24.3%*		*48.7%*				*51.3%*
Scott Perry, President Bankers Life & Casualty	$441,324	100%	$ 882,648	$ 515,563	$ 257,600	$ 257,600	$1,030,763
% Change vs. 2009(4)	*0.0%*		*0.0%*				
% of TDC	*23.1%*		*46.1%*				*53.9%*
Steven Stecher, President Conseco Insurance Group	$412,000	100%	$ 824,000	$ 447,247	$ 225,400	$ 225,400	$ 898,047
% Change vs. 2009(4)	*0.0%*		*0.0%*				
% of TDC	*23.9%*		*47.9%*				*52.1%*

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)	TD
Eric Johnson, President 40|86 Advisors	$500,000	100%	$1,000,000	$344,036	$173,880	$173,880	$691,796	$1,69
% Change vs. 2009(4)	*0.0%*		*0.0%*					
% of TDC	*29.6%*		*59.1%*				*40.9%*	

(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 mix of equity vehicles was changed from 2009 to include restricted shares in 2010 but overall grant value continued to target the market median

(5) Base salary reflects a merit increase awarded in late February 2010.

Compensation Mix

As indicated in the Summary of Components of TDC in 2010 (Table 1), the cash components of Target TDC remained at their 2009 levels, except for Mr. Bonach. The dollar value of long-term incentives delivered to all Named Executive Officers increased as compared to 2009, due primarily to an increase in the absolute fair market value on the date of equity grants in 2010 versus 2009. Our Chief Executive Officer received an equity award which was above the market median to reward his performance and leadership in delivering on our business objectives and strengthening our capital position at the end of 2009.

In delivering compensation to our Named Executive Officers, the mix of pay is heavily weighted to variable, performance-based pay (approximately between 70% and 85%) of TDC. Base salary comprised a relatively small portion of TDC (approximately between 15% and 30%) 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. Salaries rarely fall outside this range. 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 for average or lower performing employees.

2010 Merit Increases

Based on the continued uncertainty of the economic climate, as well as general trends, the Committee again decided not to award cash base salary increases to most executives in 2010. However, to address retention concerns arising from not providing cash merits for two years in a row, most executives (except our Chief Executive Officer) received a special grant of restricted shares in lieu of a base salary increase (see Table 6: 2010 Special Equity Award for Named Executive Officers). One Named Executive Officer (Mr. Bonach) also received a base salary increase for leading our Company through an amendment to our senior credit facility and to address internal equity.

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. The plan was re-approved by our shareholders in 2010. 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.

2010 Pay for Performance (P4P) Plan Design

During February 2010, the Committee reviewed the P4P plan design 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 Conseco Insurance Group (CIG) (Earnings Before Interest and Taxes less CIG s proportional share of corporate expense and interest on debt, after tax) was eliminated for that business segment. This change was made to recognize the greater impact of creating value through increased operating earnings, rather than managing equity. In addition, net GAAP Investment Income (interest income from fixed investments and dividend income from equity investments, net of expenses), a key measure of income from investments was added for 40|86 Advisors.

Additional metrics which continued to be part of 2010 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 basic 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.

Limiting the number of metrics to no more than four for any individual participant enhances the simplicity and effectiveness of the incentive plan. The program is designed to pay above market-median levels when the Company exceeds target 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 2010, 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.

Table 2 summarizes the 2010 financial metrics and weightings for our Named Executive Officers under the P4P plan:

Table 2 Summary of 2010 P4P Metrics and Weightings for Named Executive Officers

Named Executive Officer	Metric Weighting	Metric Weighting	Metric Weighting	Metric Weighting
James Prieur	Operating EPS 50%	Combined EBIT 20%	Combined Operating Expense 15%	Combined Value of New Business 15%
Edward Bonach	Operating EPS 50%	Combined EBIT 20%	Combined Operating Expense 15%	Combined Value of New Business 15%
Scott Perry	Combined EBIT 40%	Bankers ROE 20%	Bankers Operating EBIT 20%	Bankers Value of New Business 20%

Named Executive Officer	Metric Weighting	Metric Weighting	Metric Weighting	Metric Weighting
Steven Stecher	Combined EBIT 40%	CIG Operating EBIT 40%	CIG Value of New Business 20%	
Eric Johnson	Operating EPS 50%	GAAP Yield 25%	GAAP Investment Income 25%	

Table 2A provides a summary of 2010 performance targets for our Named Executive Officers under the P4P plan.

Table 2A Summary of 2010 P4P Performance Targets and Actual Results for Named Executive Officers

	Performance Targets			
Metric	Threshold	Target	Maximum	YE Actual Results
Corporate				
Operating EPS	$ 0.57	$ 0.62	$ 0.70	$ 0.72
Combined EBIT	$ 265.0 MM	$ 324.2 MM	$ 385.0 MM	$ 360.9 MM
Combined Operating Expense	$ 591.5 MM	$ 563.3 MM	$ 535.1 MM	$ 583.4 MM
Combined Value of New Business	$ 68.9 MM	$ 76.5 MM	$ 84.2 MM	$ 72.4 MM
Bankers Life & Casualty				
ROE	7.4%	8.2%	10.3%	10.8%
	$ 203.4 MM	$ 226.0 MM	$ 282.5 MM	$ 284.0 MM

	Performance Targets			
Operating EBIT				
Value of New Business	$ 43.2 MM	$ 50.8 MM	$ 58.4 MM	$ 47.8 MM
Conseco Insurance Group				
Operating EBIT	$ 92.8 MM	$ 116.1 MM	$ 139.3 MM	$ 93.1 MM
Value of New Business	$ 11.4 MM	$ 12.7 MM	$ 14.6 MM	$ 12.7 MM
40|86 Advisors				
GAAP Yield	5.7%	5.8%	6.0%	5.95%
GAAP Investment Income	$ 1,151.4 MM	$ 1,212.0 MM	$ 1,272.6 MM	$ 1279.1 MM

Table 3 provides the threshold, target and maximum payouts for each of our Named Executive Officers under the P4P plan.

Table 3 Summary of 2010 P4P Opportunities for Named Executive Officers(1)

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

(1) Mr. Prieur s opportunity is higher to reflect competitive norms for the Chief Executive Officer position.

2010 P4P Plan Performance

As reported, financial results yielded aggregate performance ranging from 95% to 193% 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 4 summarizes actual bonuses earned in 2010 by our Named Executive Officers pursuant to our P4P plan.

Table 4 2010 P4P Actual Bonuses

Named Executive Officer	Amount

James Prieur	$1,665,947
Edward Bonach	$ 746,710
Eric Johnson	$ 968,117
Scott Perry	$ 698,624
Steven Stecher	$ 391,626

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 (or other appreciation rights), 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 vest over three to four years and performance shares and restricted stock awards that are eligible for vesting 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.

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, remains 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 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. Following the May 2009 shareholder approval of additional shares issuable under our Amended and Restated Long-Term Incentive Plan, the Committee authorized the Chief Executive Officer to utilize a designated number of shares, the Chief Executive Officer equity pool, to grant equity awards to non-Section 16 executives to reward, motivate and/or retain such employees, as deemed necessary by management. These grants must be made by the Chief Executive Officer and are generally made effective the last trading day of the month. Administration of all

equity awards is managed by our Human Resources Department, and all 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 2010, as in 2009, 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.

Equity Grants in 2010

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, R-Shares and P-Shares. In 2010, the Committee reinstated its normal practice of using a 30-day average of our stock price to calculate the number of shares granted to each executive, after deviating from this practice in 2009 in light of the extreme volatility in our share price, and the very low absolute price of the stock in early 2009. We continued to use a Black-Scholes valuation model as in previous years to determine option values. The Board adopted the same methodology in computing director compensation.

In 2010, we delivered a dollar value intended to approximate a mix of stock options (50%), R-Shares (25%) and P-Shares (25%). This mix was introduced 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 vest based on our average Pre-tax Operating Income over the course of the three-year performance period (ending December 31, 2012) and have up-side opportunity of 150% of the target award.

Table 5 shows the annual equity awards granted to our Named Executive Officers in 2010 (excluding the special equity retention awards).

Table 5 2010 Annual Equity Grants

	2010 Grant		
Named Executive Officer	**Stock Options**	**Restricted Shares**	**Performance Shares**
James Prieur	421,348	160,600	160,600
Grant Date Fair Value:	*$2,070,841*	*$1,034,264*	*$1,034,264*
Edward Bonach	109,500	41,700	41,700
Grant Date Fair Value:	*$ 538,171*	*$ 268,548*	*$ 268,548*
Eric Johnson	70,000	27,000	27,000
Grant Date Fair Value:	*$ 344,036*	*$ 173,880*	*$ 173,880*
Scott Perry	104,900	40,000	40,000
Grant Date Fair Value:	*$ 515,563*	*$ 257,600*	*$ 257,600*
Steven Stecher	91,000		