
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): **January 12, 2017**

CNO Financial Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other
Jurisdiction of Incorporation)

001-31792
(Commission File Number)
11825 North Pennsylvania Street
Carmel, Indiana 46032
(Address of Principal Executive Offices) (Zip Code)

75-3108137
(I.R.S. Employer
Identification No.)

(317) 817-6100
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01. Regulation FD.

CNO Financial Group, Inc. (“CNO”) previously disclosed that in December 2013, two of its insurance subsidiaries with long-term care business (Washington National Insurance Company (“WNIC”) and Bankers Consec Life Insurance Company (“BCLIC”)) entered into 100% coinsurance agreements ceding \$495 million of long-term care reserves to Beechwood Re Ltd (“BRe”), a reinsurer domiciled in the Cayman Islands. BRe is not licensed or accredited by the states of domicile (Indiana and New York, respectively) of the insurance subsidiaries ceding the long-term care business and BRe is not rated by A.M. Best. As a result of its non-accredited status, BRe was required to provide collateral which meets the regulatory requirements of the states of domicile in order for our insurance subsidiaries to obtain full credit in their statutory financial statements for the reinsurance receivables due from BRe. Such collateral was required to be held in market value trusts subject to 7% over collateralization, investment guidelines and periodic true-up provisions.

As disclosed in CNO’s Form 10-Q for the quarterly period ended September 30, 2016 (the “September 10-Q”), on September 29, 2016, WNIC and BCLIC gave written notice to BRe that they were terminating their reinsurance agreements with BRe effective immediately, after concluding that BRe’s material breaches of the reinsurance agreements were incurable, and that it was in the best interests of WNIC and BCLIC policyholders and other key stakeholders to terminate the reinsurance agreements. In connection with the termination of the reinsurance agreements, investments made by BRe with an estimated value of \$505 million previously held in the collateral trust accounts were transferred to WNIC and BCLIC. We recognized a \$75.4 million pre-tax loss related to the termination of the reinsurance agreements in the quarter ended September 30, 2016 (including adjustments to certain of the values that had been assigned by BRe to the investments transferred to WNIC and BCLIC).

Also, as disclosed in the September 10-Q, certain irregularities had come to our attention regarding BRe, including its relationship with Platinum Partners LP (“Platinum”) and the valuation and appropriateness of the collateral deposited in trusts by BRe for WNIC and BCLIC. CNO commenced an independent third-party audit by a forensic accounting firm in late June 2016 of certain investments deposited in the trusts by BRe. Such investments included assets valued at that time using unobservable inputs that contained assumptions determined by BRe. The initial scope of CNO’s audit was a subset of investments which had an estimated fair value of approximately \$62 million as of September 30, 2016. In September 2016, WNIC and BCLIC expanded the scope of the independent audit to include additional investments for which we estimated the fair value to be approximately \$63 million as of September 30, 2016. The independent audit of these investments was completed in the fourth quarter of 2016. The audit confirmed that the assets in the initial scope of the audit bore some connection to Platinum or to parties that have had past or present associations with Platinum. Based on information obtained through the audit, the investments included in the additional scope of the audit do not appear to have clear connections to Platinum or to parties that have had past or present associations with Platinum. Moreover, CNO and the auditor retained by CNO also concluded that many of the values that had been assigned to these investments by BRe, and summarized in reports prepared by its valuation firm, were inaccurate due to the use of flawed methodologies.

In addition to the investments subject to the aforementioned audits, WNIC and BCLIC received approximately \$380 million in other investments and cash balances in the recapture. A substantial portion of these investments have been sold or redeemed since the recapture. We expect to recognize pre-tax non-operating net realized losses totaling \$5.2 million in the quarter ended December 31, 2016, related to the transferred investments (including the impacts of the audit findings and repositioning of the assets). The 4Q2016 activity with respect to the assets received in the recapture is summarized below (dollars in millions):

	September 30, 2016 values	Net cash flows (1)	Realized losses and impairments (2)	Other activity (3)	Preliminary December 31, 2016 values (4)
Investments included in initial scope of audit	\$ 62.2	\$ (12.7)	\$.4	\$ 3.1	\$ 53.0
Investments included in additional scope of audit	62.6	(10.5)	(1.6)	.7	51.2
Investments not included in scope of audit:					
Fixed maturities and other invested assets	319.4	(300.8)	(4.0)	2.3	16.9
Cash and investment purchases subsequent to recapture	60.4	324.0	—	(4.0)	380.4
Total investments	<u>\$ 504.6</u>	<u>\$ —</u>	<u>\$ (5.2)</u>	<u>\$ 2.1</u>	<u>\$ 501.5</u>

A summary of the preliminary values (4) for the remaining investments that were included in the aforementioned independent audits as of December 31, 2016, is summarized below (dollars in millions):

	Investments included in initial scope of audit	Investments included in additional scope of audit	Total investments included in the scope of audit
Lease related investments	\$ —	\$ 27.4	\$ 27.4
Mortgage loans secured by real estate	1.0	16.1	17.1
Senior secured loans to companies in the energy sector (5)	13.8	—	13.8
Senior secured loans to other companies	17.6	3.4	21.0
Life settlement financing	6.8	1.0	7.8
Secured term loan issued by Platinum Partners Credit Opportunity Master Fund L.P.	4.4	—	4.4
Preferred and common stock	2.7	.9	3.6
Other	6.7	2.4	9.1
Total investments	<u>\$ 53.0</u>	<u>\$ 51.2</u>	<u>\$ 104.2</u>

(1) Net cash flows from sales, redemptions and investment purchases during the quarter ended December 31, 2016.

(2) Includes \$4.5 million of impairment charges and \$.7 million of net realized losses recognized on the sale of transferred investments.

(3) Includes amortization of discount and premium and changes in estimated fair values of investments during the quarter ended December 31, 2016.

(4) Values at December 31, 2016, are preliminary and subject to change pending completion of our year end financial reporting close including consideration of additional developments and information discovered through the date we file our 2016 Form 10-K, that could impact our preliminary year-end estimates of fair value.

(5) Includes: (i) \$5.0 million of loans issued by Golden Gate Oil, LLC with a par value of \$11.0 million; and (ii) \$6.7 million of loans issued by the parent of Agera Energy LLC with a par value of \$10.6 million. The issuers of this debt have been referred to in recent articles regarding Platinum.

A copy of the Company's press release is attached hereto as Exhibit 99.1.

The information contained under Item 7.01 in this Current Report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information contained in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01(d). Financial Statements and Exhibits.

The following material is furnished as an exhibit to this Current Report on Form 8-K:

99.1 Press release of CNO Financial Group, Inc. dated January 12, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CNO Financial Group, Inc.

Date: January 12, 2017

By: /s/ John R. Kline

John R. Kline

Senior Vice President and
Chief Accounting Officer



News

For Immediate Release

Contact: (News Media) Barbara Ciesemier +1.312.396.7461
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CNO Financial Group Provides Update on Closed Block Long-Term Care Business Independent Audit concluded; Majority of Assets repositioned

CARMEL, Ind., January 12, 2017 - CNO Financial Group, Inc. (NYSE: CNO) announced today that its subsidiaries, Washington National Insurance Company (WNIC) and Bankers Conseco Life Insurance Company (BCLIC), have concluded the independent audit of the assets recaptured in conjunction with the termination of the reinsurance agreements with Beechwood Re, Ltd. (BRe). In addition, CNO announced that it has successfully repositioned a significant portion of the recaptured assets. CNO expects to recognize pre-tax non-operating net realized losses totaling \$5 million (1) in the quarter ended December 31, 2016 related to the transferred investments (including the impacts of the audit findings and repositioning of the assets).

As previously disclosed, certain irregularities discovered regarding the relationship between BRe and Platinum Partners LP (Platinum), and questions concerning the valuation and appropriateness of the collateral deposited in reinsurance trust accounts by BRe, caused CNO to commence an independent audit on two subsets of investments with an estimated value of \$125 million as of September 30, 2016. The audit of these investments was completed in the fourth quarter of 2016, and confirmed that the assets included in the initial scope of the audit bore some connection to Platinum or to parties that have had past or present associations with Platinum. The audit also concluded that, based upon information obtained, the assets included in the additional scope of the audit do not appear to have clear connections to Platinum or to parties that have had past or present associations with Platinum.

In addition, CNO and the auditor confirmed that many of the values that had been assigned to these investments by BRe, and summarized in reports by its valuation firm, were inaccurate due to the use of flawed methodologies and procedures. We recognized a \$75.4 million pre-tax loss related to the termination of the reinsurance agreements in the quarter ended September 30, 2016 (including adjustments to certain of the values that had been assigned by BRe to the investments transferred to WNIC and BCLIC).

In connection with the termination of the reinsurance agreements, investments made by BRe with an estimated value of \$505 million previously held in collateral trust accounts supporting the reinsured block were transferred to WNIC and BCLIC. In the quarter ended December 31, 2016, approximately 75 percent of these investments have been sold or redeemed, with the proceeds invested primarily in investment-grade securities to support the recaptured block of business.

A summary of the preliminary values for the remaining investments that were included in the independent audit as of December 31, 2016 is included in today's Form 8-K.

About CNO Financial Group

CNO Financial Group, Inc. (NYSE: CNO) is a holding company. Our insurance subsidiaries - principally Bankers Life and Casualty Company, Colonial Penn Life Insurance Company and Washington National Insurance Company - primarily serve middle-income pre-retiree and retired Americans by helping them protect against financial adversity and provide for a more secure retirement. For more information, visit CNO online at www.CNOinc.com.

Note:

(1) Amount is preliminary and subject to change pending completion of our year-end financial reporting close including consideration of additional developments and information discovered through the date we file our 2016 Form 10-K, that could impact our preliminary year-end estimates of fair value.

Cautionary Statement Regarding Forward-Looking Statements. *Our statements, trend analyses and other information contained in this press release relative to markets for CNO Financial's products and trends in CNO Financial's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic," "guidance," "outlook" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) changes in or sustained low interest rates causing reductions in investment income, the margins of our fixed annuity and life insurance businesses, and sales of, and demand for, our products; (ii) expectations of lower future investment earnings may cause us to accelerate amortization, write down the balance of insurance acquisition costs or establish additional liabilities for insurance products; (iii) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect the value of our investments as well as our ability to raise capital or refinance existing indebtedness and the cost of doing so; (iv) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (v) our ability to make anticipated changes to certain non-guaranteed elements of our life insurance products; (vi) our ability to obtain adequate and timely rate increases on our health products, including our long-term care business; (vii) the receipt of any required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (viii) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (ix) changes in our assumptions related to deferred acquisition costs or the present value of future profits; (x) the recoverability of our deferred tax assets and the effect of potential ownership changes and tax rate changes on their value; (xi) our assumption that the positions we take on our tax return filings will not be successfully challenged by the Internal Revenue Service; (xii) changes in accounting principles and the interpretation thereof; (xiii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xiv) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems, (xv) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xvi) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (xvii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (xviii) our ability to maintain effective controls over financial reporting; (xix) our ability to continue to recruit and retain productive agents and distribution partners; (xx) customer response to new products, distribution channels and marketing initiatives; (xxi) our ability to achieve additional upgrades of the financial strength ratings of CNO Financial and our insurance company subsidiaries as well as the impact of our ratings on our business, our ability to access capital and the cost of capital; (xxii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends and surplus debenture interest to us, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; (xxiii) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products or affect the value of our deferred tax assets; (xxiv) availability and effectiveness of reinsurance arrangements, as well as any defaults or failure of reinsurers to perform; (xxv) the performance of third party service providers and potential difficulties*

arising from outsourcing arrangements; (xxvi) the growth rate of sales, collected premiums, annuity deposits and assets; (xxvii) interruption in telecommunication, information technology or other operational systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems; (xxviii) events of terrorism, cyber attacks, natural disasters or other catastrophic events, including losses from a disease pandemic; (xxix) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; and (xxx) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward looking statements.

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