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EDITED TRANSCRIPT

Q2 2024 CNO FINANCIAL GROUP INC EARNINGS CALL

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- **Operator**
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PRESENTATION

Operator

Welcome to the CNO Group Financial second-quarter 2024 earnings call. (Operator Instructions) My name is Karlie, and I'll be coordinating the call today.

I would now like to hand over to Adam Auvil to begin.

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

Good morning and thank you for joining us on CNO Financial Group's second quarter 2024 earnings conference all. Today's presentation will include remarks from Gary Bhojwani, Chief Executive Officer; and Paul McDonough, Chief Financial Officer. Following the presentation, we will also have other business leaders available for the question-and-answer period.

During this conference call, we will be referring to information contained in yesterday's press release. You can obtain the release by visiting the media section of our website at cnoinc.com. This morning's presentation is also available in the Investors section of our website and was filed in a Form 8-K yesterday. We expect to file our Form 10-Q and posted on our website on or before August 7.

Let me remind you that any forward-looking statements we make today are subject to a number of factors, which may cause actual results to be materially different than those contemplated by the forward-looking statements.

Today's presentation contains a number of non-GAAP measures, which should not be considered as substitutes for the most directly comparable GAAP measures. You'll find a reconciliation of the non-GAAP measures to the corresponding GAAP measures in the appendix.

Throughout the presentation, we'll be making performance comparisons, and unless otherwise specified, any comparisons made will refer to changes between second quarter 2024 and second quarter 2023.

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

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

Thanks, Adam. Good morning, everyone, and thank you for joining us. CNO delivered excellent financial and operating performance in the quarter. Operating earnings per diluted share were $1.05, up 94%. Our strong results were broad-based across earnings, production and capital.

Our momentum over the past several quarters is establishing a baseline of consistent and repeatable results. We are seeing the green shoots of our strong sales growth beginning to translate into earnings growth.

On a consolidated basis, we posted our eighth consecutive quarter of sales production growth and our sixth consecutive quarter of growth in producing agent counts. Total new annualized premium was up 4% across the enterprise. Earnings benefited from favorable insurance product margin and strong investment results, reflecting growth in the business and continued expansion of the portfolio book yield.

Our new money rate exceeded 6% for a sixth consecutive quarter. Capital and liquidity remained well above target levels after returning $77 million to shareholders. Book value per diluted share, excluding AOCI, was $36, up 11%.

Each component of our business is delivering top performance as demonstrated by sales momentum in both Consumer and Worksite, a growing distribution force, continued solid and sustainable earnings, our excellent capital position and raising full year guidance on earnings and cash flow.

Turning to slide five. As a reminder, last quarter, we introduced an expanded Growth Scorecard to sharpen focus on the three key drivers of our performance: production, distribution and investments in capital. We are pleased that all of our Growth Scorecard metrics are up in the quarter. I'll discuss each division in the next two slides. Paul will cover investments in capital in more detail during his remarks.

Beginning with the Consumer division on slide six. Sales momentum continued for a seventh consecutive quarter. Solid execution and sustainable sales growth continue to drive the division's strong financial performance.

Our differentiated capabilities that marry a virtual connection with our established in-person agent force to complete the critical last mile of sales and delivery service continue to be well received by our target customers. Total NAP was up 2%. NAP from field sales was up 8%. Health NAP was up 18%, driven by continued momentum with new and enhanced products.

Our Medicare portfolio continues to deliver strong sales growth. Medicare Supplement NAP was up 16%, and Medicare Advantage sales were up 78%. As a reminder, Medicare Advantage fees and sales are not reflected in that. As we have often shared by offering both Medicare Supplement and Medicare Advantage products, we provide more coverage options for customers.

The balance and diversification of our Medicare portfolio is an important part of how we serve the middle-income market. With nearly 11,000 people turning 65 every day in the United States Medicare distribustion is a year on business for us.

As consumers age into Medicare, they value trust and seek guidance to help make an informed decision about how they receive their benefits. Our 1,000s of dedicated field agents who can make an in-person visit to nearly every county in the United States are uniquely positioned to serve this market.

Long-Term Care NAP was up 88% on the continued strength of our long-term Care Fundamental Plus product that we launched last year. The strong response for this product underscores the growing demand from our clients for practical long-term care solutions.

Our LTC products are designed for the middle market consumer. 99% of the policies have benefit periods of two years or less, and more than 90% have benefit periods of one year or less. These plans cover essential costs for one to two years and offer a balanced affordable approach to funding care.

Life production was down in the quarter, driven by lower spend on direct-to-consumer market. As we shared last quarter, we managed our D2C business based on advertising efficiency. In the second quarter, we reduced our television marketing spend in response to higher lead costs. This stems from increased competition for television media space, which tends to spike during presidential election cycle.

Meanwhile, we continue to grow our non-television direct response channels such as web and digital, which were up 4% in the quarter and now accounts for approximately one-quarter of our D2C Life sales.

Annuity collected premiums were up 9% and account values were up 5%. Our strong annuity performance was driven by higher premium per policy, which was up 9%. We continue to experience stability in our block, which benefits from our captive distribution and the long-term relationships that our agents build with customers.

Client assets in brokerage and advisory were up 24% for the quarter to a record $3.6 billion. New accounts were up 9%. This is now our fifth consecutive quarter of brokerage and advisory growth. When combined with our annuity account values, our clients now entrust us with more than $15 billion of their assets.

Recruiting continues to be favorable and reflects our eighth consecutive quarter of year-over-year gains. Producing agent count was up 3%, our sixth consecutive quarter of growth.

Next, slide seven and our Worksite Division performance. We posted our second highest quarter ever for Life and Health NAP with sales up 18%. For eight of the last nine quarters, Worksite insurance sales have delivered at least 15% growth.

We are very pleased with how our Worksite insurance offerings are delivering sustained growth for our business and value for our clients. Fee sales were up 24%. As a reminder, this metric reflects the annual contract value of benefit services sold in the quarter and is a leading indicator of fee revenue growth. Our benefit services strategy remains a priority for 2024 and beyond.

Producing agent count was up 25%, our ninth consecutive quarter of growth. First year producing agent count was up 33%. We continue to see solid agent retention across all cohorts and healthy productivity levels. New products and strategic initiatives continue to deliver sales growth for Worksite in the quarter. I'll briefly highlight three programs that are generating meaningful results.

First, the new products that we introduced last year are driving sales growth. Accident insurance sales were up 27% and critical illness sales were up 16%.

Second, our geographic expansion initiative accounted for 32% of our total sales growth in the quarter, the third consecutive quarter of meaningful contribution from this program. This initiative targets areas where we've identified strategic opportunities to grow our market share and footprint.

Finally, in 2023, we launched an initiative to help agents cultivate and acquire new employer groups for insurance sales. We're experiencing strong momentum from this program alongside continued growth from reservicing existing clients. New employer groups were up 8% as compared to the same period last year, and NAP from new group clients was up 90%.

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

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

Thanks, Gary, and good morning, everyone. Turning to the financial highlights on slide 8. It was really an exceptional quarter across the Board. Net operating income up 84% in whole dollars. 94% on a per share basis, driven by improved product margins and investment returns coupled with better operating leverage and fewer shares outstanding.

The expense ratio was 19.31% on a trailing 12-month basis, down 31 basis points versus the prior year period. Free cash flow generation was strong. Holdco liquidity benefited from the $700 million debt offering in May.

We deployed $60 million of excess capital on share repurchases in the quarter, contributing to a 6% reduction in weighted average diluted shares outstanding year-over-year. On a trailing 12-month basis through June 30, operating return on equity was 11.2% as reported and 10% ex-significant items.

Turning to Slide 9. Insurance product margin was very strong in the quarter, up 23%, reflecting sustained growth in the business and favorable experience, resulting in margin growth across all three product categories.

Fixed indexed annuity margins benefited from improved yield and growth in the block. The improved yield was driven by portfolio optimization trades in the quarter, where we selectively sold certain lower-yielding securities and reinvested in higher-yielding securities.

Other annuity margins benefited from reserve releases due to higher mortality on larger closed block policies. Long-term care margins reflect favorable claims experience in the current period as compared to unfavorable claims experienced in the prior period.

Finally, Traditional Life margins benefited from growth in the block and lower advertising expense.

Turning to slide 10. Net investment income results were strong in the quarter. The new money rate was 6.41%, the sixth consecutive quarter above 6%. The average yield on allocated investments was 4.81%, up 16 basis points year-over-year. The larger-than-trend increase was due to the portfolio optimization trades that I mentioned earlier.

The increase in yield along with growth in the business drove a 6% increase in net investment income allocated to products for the quarter. Investment income not allocated to products was up 60% with alternative investment results slightly below expectations, but much improved from recent quarters. We completed a $750 million three-year FABN offering in the quarter, increasing the spread income we earn on the program.

Total investment income was up 12%. Our new investments in the quarter comprised approximately $840 million of assets with an average rating of A and an average duration of seven years. Our new investments are summarized in more detail on slides 20 and 21 of the presentation.

Turning to slide 11. The market value of invested assets grew 5% in the quarter. Approximately 97% of our fixed maturity portfolio at quarter end was investment-grade rated with an average rating of A, reflecting our up and quality bias over the last several years.

Our commercial real estate portfolio continues to perform within expectations, reflecting conservative underwriting and proactive management. We've again included some summary metrics in slides 22 and 23 of the presentation.

Turning to slide 12. Our capital position remains strong. At quarter end, our consolidated RBC ratio was 394%. Available Holdco liquidity was $429 million at quarter end, benefiting from this quarter's debt issuance and net of $500 million that will be used to pay down the senior notes that mature in May of next year.

Leverage at quarter end was 32% as reported. Adjusting for the senior notes that will be paid off at maturity in May of next year, leverage at quarter end was 25.5%, up from 22.9% at March 31 and just inside the low end of our target range.

Turning to slide 13 and our '24 guidance. We are raising guidance on operating earnings per share to $3.30 to $3.50 for the full year, excluding significant items. This increase reflects the strong second quarter results, along with a modest improvement in outlook for the second half of the year. This also includes an expectation that alternative investments generate a return in line with the long-term run rate assumption of 9% to 10% for the remainder of the year, consistent with our initial guidance assumptions. As a component of this change, we're narrowing the expense ratio range to 19.0% to 19.2%.

In addition, we are raising guidance on excess cash flow to the holding company to $200 million to $250 million. This favorable adjustment is primarily driven by higher statutory earnings in the first half of the year and the refinement of expectations on capital consumption within the operating companies.

Recall that the high end of the prior range assumes status quo in terms of the health of the economy and the risk profile of our investment portfolio. Both of those variables have remained fairly constant year-to-date, and we expect will remain so through year-end.

We will continue to manage to a consolidated RBC ratio of 375% in our US-based insurance companies and minimum Holdco liquidity of $150 million over the long term, although we expect to end 2024 well above those target levels. No change to our target leverage of between 25% and 28%.

Lastly, we have decided to change the timing of our annual actuarial review to the third quarter from the fourth quarter. This timing aligns better with our annual planning process and is more in line with the industry standard.

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

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

Thanks Paul. We delivered excellent financial performance in the quarter across the board and the green shoots of eight consecutive quarters of strong sales momentum are beginning to translate into earnings growth.

CNO remained well positioned with the right products and unique distribution capability to serve the middle-income market. Our capital position, our liquidity and our cash flow generating power of the company remain robust.

We are establishing a baseline of consistent and repeatable results, and we expect to build on this foundation as we look to the second half of the year. We thank you for your support of and interest in CNO Financial Group.

We will now open it up to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John Barnidge, Piper Sandler.

John Barnidge *Piper Sandler - Analyst*

Good morning. Thank you for the opportunity. It sounds like the increase in the EPS guide and cash flow is mainly coming from better-than-expected earnings performance in the first half of the year. But are there certain items that may be flattered Q2s earnings. Were above expectations that you think could continue into the second half of the year? Thank you.

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

Hey, John, it's Paul. Yeah, there are two things that helped drive the really strong second quarter results that could certainly continue into the second-half. And they include, number one, the portfolio yield, which is benefiting from the higher new money rates, about 6% now for sixth consecutive quarters, enhanced a bit in the second quarter by the portfolio optimization trade that we talked about.

So I don't expect that, that will change in the second half. I think rates generally will remain high. There'll certainly may be one, maybe two Fed cuts. But still, as compared to the current portfolio yield, still a bit of a tailwind.

We may do a bit more of the portfolio optimization trade. So I think that, that should benefit the second half to some degree. The second thing is claims experience, and obviously, that can go either way, plus or minus. And that's one of the reasons for the range around a point estimate of EPS. So I'd leave it at that, John.

John Barnidge *Piper Sandler - Analyst*

Thank you very much. A quarter ago, you loosely talked about getting your ROE to peer levels and talked about it being around 11% to 14% per peer levels. How do you define the time frame to get there?

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

Hey, John, so we're not putting a precise time range on that. But I would say that it's not something that we're planning to do in the future and haven't already sort of begun. We are very focused on it, as we've mentioned over the last couple of quarters.

There are a number of initiatives that are already underway that will enhance ROE over the long term. I'd say if you look at the ROE on a trailing 12-month basis through June 30 at 10% ex significant items, which reflects a strong second half of last year and a strong first-half of this year.

So arguably, perhaps at the high end of a range of what you might estimate as current run rate, but clearly reflects an improvement of favorable trend in run rate ROE over the last couple of years, and that's something that we remain committed to. And in the long run, without putting a specific time frame on it, with the goal of getting more in line with the industry peer group.

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

Yes, John, I'd like to just supplement Paul's comments, and I'd like you to take away two things from my comments. Number one, and Paul touched on this, I want you to know that we remain very focused on it. You're correct that we've been talking about it for a few quarters.

And I want to just remind all of you a little bit of historical context there. We had some work to do several years ago to kind of turn the organization around clean up the balance sheet. The mandate then was to begin growing the business, which we did. Unfortunately, COVID intervened for us and everybody else.

Now that the growth engine has fired back up again and we're past COVID, now we need to optimize the results. And so we're very committed to that. This is something that we're focused on. And the second thing that I would want you to know is that we're pleased with the progress, but nowhere near satisfied with the results.

We believe we can continue to drive this ROE upwards. We've got line of sight on it. We've got a number of action plans that we're working on. We're not yet in a place where we want to make specific commitments to those numbers. But I can assure you, we are nowhere near satisfied and we've got line of sight how to continue to drive it.

John Barnidge *Piper Sandler - Analyst*

Thanks for the answers.

Operator

Ryan Krueger, Stifel.

Ryan Krueger *Stifel - Analyst*

Hey good morning. Thanks, good morning. First question was on, I guess, just on free cash flow guidance. To what extent was the increase driven by your first half results being better than expected versus other refinement of your cash flow expectations on an ongoing basis?

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

Hey Ryan, it's Paul. So the way that I'm thinking about it is sort of two major sort of dynamics. Number one, you'll recall that when we initially provided the guidance of $140 million to $200 million, we indicated that the high end of that range was assuming status quo in the economy, meaning that we didn't expect that if the economy stayed healthy that we wouldn't be consuming capital as a result of, if the economy were to erode, that would have consumed capital through adverse credit migration, higher capital charges. That hasn't happened. So that kind of moves us to the high end of the range.

And then the other component that sort of associated with the high end of the range was that we would be status quo in terms of the risk profile of the portfolio, meaning we wouldn't pivot to higher risk in the portfolio, which would consume capital and drive it to the lower end of the range.

So both of those things have been fairly constant, which means that through June, we're sort of tethered to the high end of the range in the context of those two things. We expect that will remain so. So that kind of drives the new low end of the range at $200 million.

And then the high end of the range is primarily driven by the very strong first half results, primarily in the second quarter with some expectation of some modest continuation of favorable trends in the second half.

Ryan Krueger *Stifel - Analyst*

Great, thank you. And then can you give any more color on just what you're seeing on claim trends within long-term care? You've had pretty favorable results for a few quarters now.

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

We have and I'd say that the margin in long-term care reflects growth of the business, number one, and then also favorable claims experience, including in our older cohort that has a net to gross premium ratio capped at 100. So uncapped greater than 100, which causes favorable experience to flow directly through margin in the period as opposed to being somewhat muted in the context of LDTI. So the question is, does that continue?

And as I said earlier in response to John's question, it certainly could. We're not seeing anything in the current quarter that would suggest otherwise. But it's claims experience, and that's going to bump around plus or minus. And so there's certainly the potential that we experienced less favorable claims experience in some future quarter.

Ryan Krueger *Stifel - Analyst*

Great. Thank you.

Operator

Wes Carmichael, Autonomous.

Wes Carmichael *Autonomous Research - Analyst*

Hey, good morning. On your raised guidance around the excess cash flows to the HoldCo, should we think about higher level of cash flows going towards buybacks in 2024? And maybe how should we think about you managing down the HoldCo cash balance versus your minimum $150 million target over time?

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

Hey, guys, it's Paul. So I'd say at a very high level, there's no change to how we think about deploying excess capital. We'll continue to be disciplined and fairly measured in terms of what we do in any individual quarter. Having said that, in the wake of the debt offering in May where we issued $200 million more than the $500 million that's maturing and generating sort of a slug of excess capital, there's certainly the opportunity to accelerate the pace a bit over the next few quarters of share repurchases. And that funded a portion of the share repurchase in 2Q.

Wes Carmichael *Autonomous Research - Analyst*

That's helpful, Paul. And maybe just on the surrender activity in annuities. I think overall surrenders ticked down a little bit versus the first quarter, driven by the fixed interest annuities. But can you maybe talk about the trends you saw in the quarter and if you kind of expect surrenders to moderate going forward or not?

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

Yes, surrenders just focusing on fixed indexed annuities. Surrenders are certainly higher now than they were a year ago. They do seem to have stabilized at current levels. And the current level is within our range of expectation in the current rate environment. And in that environment, we continue to grow the book. And the current interest rate environment has also driven higher yields on the portfolio, which has contributed to slightly better spreads. So I'd say that the book remains very healthy and profitable and attractive from a risk-return perspective.

Wes Carmichael *Autonomous Research - Analyst*

Thanks.

Operator

Scott Heleniak, RBC.

Scott Heleniak *RBC Capital Markets - Analyst*

Yes, good morning. Thanks. You've onboarded a lot of new agents over the past couple of years. I think you said six or eight quarters in a row of agency count growth. Do you expect that to continue in the back half of the year into 2025? There's clearly a lot of interest. The recruiting is up nicely. Any thoughts there as well as can you comment on just the productivity of some of the new agents that you have hired in the past two years as you've kind of ramped that up?

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

Yes, Scott, thanks for the question. And this is Gary. So first of all, just to state the obvious, we've had several quarters of very strong growth in both Consumer and Worksite. And of course, the comparables will get tougher. There's no question about that. As that population grows, it will be harder to keep maintaining that percentage of growth. All that said, yes, I believe we can continue to grow our agent counts.

But more importantly, we will continue to grow the productivity of those agents. We've talked about this for several quarters where we're much more focused on the productivity than the raw account, and that's really what I keep an eye on the most. And I think we can continue to grow that.

That happens because of a combination of products, services and tying in different parts of the business. As an example, we've talked frequently about how we have our direct-to-consumer business really support our field agent side of the business.

So we feel very good about that on the Consumer side as one example. And then on the Worksite side, if you think about the geographic expansion and the new products we've launched there, those should also continue to help drive productivity.

So just to summarize, the comps will get tougher. It will be harder for us to grow the agent counts in the same percentages, but we believe we will continue to grow them. More importantly, we will continue to drive productivity. That's where the real magic will come in over the long term and that's what we're focused on.

Scott Heleniak *RBC Capital Markets - Analyst*

Okay, great. And just any update on the Bermuda captive now that you have it up and running? Is that kind of running in line with expectations? Anything to comment on there?

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

Hey, Scott, it's Paul. Definitely running in line with expectations. We've made a lot of progress building out the infrastructure on Island to support that treaty that we executed back in November of last year, both the in-force and the new business, effective 10/01. Yes, it's going as expected, we certainly have a commitment to that business and expect to grow it over time.

Scott Heleniak *RBC Capital Markets - Analyst*

Okay. And just my final question is, I know we've talked a lot about buybacks. Is there any thought to increasing the quarterly dividend by a greater amount at some point in the future? Or is buyback still going to kind of be top priority consistent with what you've done over the past few years?

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

So Scott, the dividend level is something we look at every quarter certainly, but something we look at sort of more in earnest once a year in terms of any change to the level. And as you know, our practice has been to raise it by $0.01 per share in the second quarter. I don't want to front run that. But the current yield is pretty much in line with the peer group from -- or the current dividend is in line from a yield perspective, makes sense from a payout perspective.

So I wouldn't anticipate deviation from what our practice has been. And share repurchases are -- assuming your dividend policy makes sense, which I think our current policy does, I think share repurchases are more efficient on the margin as a form of deploying excess capital.

Scott Heleniak *RBC Capital Markets - Analyst*

Great. Thanks for all the answers.

Operator

(Operator Instructions)

Wilma Burdis, Raymond James.

Wilma Burdis *Raymond James - Analyst*

Good morning. Could you talk about what drove all alt returns closer to the run rate in 2Q '24? And should we expect that trend to continue? Thanks.

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

Yes, this is Eric Johnson, and I'd be happy to -- Paul, if you don't mind, I'll be happy to jump in here.

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

Please.

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

Okay. I think there were three basic factors there. One, real estate valuations were a little more stable during the period, perhaps with some relationship to anticipated changes in interest rates.

Second, I think the value of kind of the private credit carry emerged during the period and reflected the underlying earnings stream from that allocation.

And then thirdly, some revintaging we've been doing over the last several quarters, which is beginning to pay off in terms of our earnings streams from more current vintages.

And so I think this is an area where, using Gary's term of green shoots, seeing some green shoots from some of the things we've been doing, and I hope they will continue to grow and meet expectations that Paul described earlier. I believe that will be the case as we get into later this year and early next year.

Wilma Burdis *Raymond James - Analyst*

Thank you. And could you talk a little bit about what drove the reserve release and other annuities? And is that something that we could see any more activity there or not? Thanks.

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

Hey Wilma, it's Paul. So other annuities is a relatively small block of payout annuities that's in runoff. And as we've described occasionally in the past, when we see some volatility from this block, and it's always all to the plus side, and it's driven by what are typically a handful of [deaths] of the new attempts, which causes the reserve release.

And in this quarter, we had five -- literally five kind of on one hand deaths that drove the very significant increase in margin in the quarter. We'll continue to have some volatility from this block for these reasons. I think it's very unlikely that we have another quarter that's this favorable, but that's the dynamic that's driving it.

Wilma Burdis *Raymond James - Analyst*

Thank you.

Operator

Suneet Kamath, Jefferies.

Suneet Kamath *Jefferies - Analyst*

Yeah, thanks. so I think we hit on most of the margin improvement across the lines. But I think two, that maybe we haven't hit on that are a little smaller, but still improved are Med Supp and Traditional Life. So can you just unpack some of the drivers of the margin benefits there?

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

Sure. Hey, Suneet, it's Paul. So at a very high level, just growth in the block and generally favorable experience, in Trad Life, it's also the lower advertising expense that flows through margin. So that's really hit at a high level.

Suneet Kamath *Jefferies - Analyst*

Got it. And then I guess for Gary, I think on past calls, you've sort of talked about your annuity business as being different from others in the sense that you don't have a lot of churn in your book, but you actually put up some pretty good growth.

So I was just curious if you had any color on where that growth is coming from? In other words, what's funding it? Is it retirement accounts, like rollovers from 401(k) or movement from money market funds? Just curious where it's coming from and kind of how you think the outlook -- what do you think the outlook looks like going forward? Thanks.

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

I'll start with the last half of that question. We believe the outlook is very strong. There's 11,000 people retiring every day in the United States. As you know, the vast majority of people don't have a pension anymore. They need some kind of a floor that's going to provide guaranteed income.

And in particular, with our middle-income clients, there are very few alternatives for them that can give them a guaranteed source of income. So we believe that the future is incredibly bright. I don't have the data in front of me to tell you how much of it came from rollovers or what have you.

I do know that generally speaking, we're less likely to get money from rollovers and so on than some of the other annuity writers out there, primarily because we serve a different market. I believe we saw an increase of roughly 9% in premium per annuity this past quarter. So some of it was driven just by selling larger annuities, but still relative to the average annuity writer out there or annuities quite a bit smaller and generally come from folks that are in or approaching retirement.

And so therefore, the funds usually -- not only usually come from 401(k)s or other savings, such as that. And we expect that to continue. And we think we're going to have up quarters, down quarters, so on and so forth. But generally, if you look at the long-term trajectory of this business, we're very bullish on it. We think this is something our client base needs, and we believe we provide a really good value.

Suneet Kamath *Jefferies - Analyst*

If I could just sneak in one quick follow-up on that. So obviously, higher rates helps this business. I'm just curious like at what point, like where would rates have to go if for all of a sudden, this growth opportunity or growth outlook that you're seeing starts to fall off a bit?

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

The business is, of course, impacted by interest rates in terms of what else is out there, right. So a consumer when they're making a decision, they'll look at where else they can put their money. But even if they could get a comparable rate, say, in a CD or something of this sort, it doesn't change the fact that those other products don't provide guaranteed income for life and really protect them against the risk of outliving their assets. So for that reason, I think that even if interest rates continue to go up, this growth would remain solid.

And remember, we adjust our products and the participation rates go on depending on what's going on in the market, but we don't follow it step for step but we do adjust the benefit levels and participation rates and so on in the annuities.

So I don't know that I would say that there's a tipping point per se, there's a set number beyond which we couldn't go and continue to grow. I just don't see it working that way because of the need of the client base.

Suneet Kamath *Jefferies - Analyst*

Makes sense. Thank Gary.

Operator

There are no further questions waiting at this time. So I'd like to pass the call back over to Adam Auvil.

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

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

Operator

This completes conference call. Thank you all for your participation. You may now disconnect your lines.

DISCLAIMER