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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the CNO Financial Group Second Quarter 2021 Earnings Call. (Operator Instructions) I will now hand the conference over to Jennifer Childe, Vice President of Investor Relations. Please go ahead.

Jennifer Childe - *CNO Financial Group, Inc. - VP of IR*

Thank you, Operator. Good morning, and thank you all for joining us on CNO Financial Group's Second Quarter 2021, Earnings Conference Call.

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 6.

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 presentations contain a number of non-GAAP measures, which should not be considered as substitutes to 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 will be making performance comparisons and unless otherwise specified, any comparisons made will be referring to changes between second quarter 2020 and second quarter 2021.

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

Gary Chandru Bhojwani - *CNO Financial Group, Inc. - CEO & Director*

Good morning, everyone, and thank you for joining us. Turning to Slide 4. We reported operating earnings per share of \$0.66, which represents 20% growth over the prior period or 60% growth, excluding significant items in both periods.

Sales activity remained strong, and we have exceeded pre-pandemic levels in a number of areas. Total Life and Health NAP was up 35% over the second quarter of 2020 and up 10% relative to 2019 levels.

Our results also benefited from ongoing deferral of medical care, which boosts our health margins, solid alternative investment performance and continued share repurchase activity. Premium collections remained strong, and our underlying margins, excluding COVID impacts, performed well as expected.

Our capital and liquidity remain conservatively positioned. We ended the quarter with an RBC ratio of 409% and \$336 million in cash at the holding company, while also returning \$105 million to shareholders through a combination of share repurchases and dividends.

We continue to execute well against our strategic priorities. Specifically, successfully implementing our strategic transformation that we initiated in January of 2020, growing the business profitably, launching new products and services, expanding to the right to slightly younger, wealthier consumers within the middle-income market and deploying excess capital to its highest and best use.

Turning to Slide 5 and our growth scorecard. As was the case for 6 consecutive quarters prior to the pandemic, all 5 of our scorecard metrics were up year-over-year. Life sales remained strong, fueled by continued momentum in both our direct-to-consumer and exclusive field agent channels. Overall, health sales were up almost 90% over the prior period, which reflected the first full quarter of the pandemic when state home restrictions were first institute.

Total collected life and health premiums were up 1%. This reflects continued solid growth in life NAP and persistency of our customer base, offset as expected by lower Medicare Supplement premiums.

Annuity collected premiums were up 42% year-over-year. Relative to the second quarter of 2019, annuity collected premiums were up 1%. Client assets in brokerage and advisory grew 33% year-over-year to \$2.6 billion, fueled by new accounts, which were up 13%, net client asset inflows and market value appreciation. Sequentially, client assets grew 8%.

Fee revenue was up 50% year-over-year to \$31 million, reflecting growth in third party sales, growth within our broker-dealer and registered investment adviser and the inclusion of DirectPaths results.

Turning to our Consumer Division on Slide 6. We continue to leverage our cross-channel sales program. Our hybrid sales and service model, which blends virtual engagement with our local field exclusive field agents has led significant improvements in lead conversion rates, customer acquisition costs and sales productivity.

Life and health sales were up 32% over the prior period and 19% over the same period in 2019. Life sales climbed 8% for the quarter to over \$50 million, reflecting the sixth consecutive quarter of year-over-year growth. Direct-to-consumer life sales were level with the record production in the prior period.

Life sales generated by our exclusive field agents were up 23% and comprised over 40% of our total life sales. Leads from our direct-to-consumer business supported this growth.

Within our health product line, supplemental health and long-term care sales saw healthy growth over both the second quarter of 2020 and the second quarter of 2019. These results benefited from initiatives that enable our products to be sold through multiple channels.

Our third-party Medicare Advantage policy sales were up 20% in the second quarter. Medicare Supplement sales remained challenged. Med Supp sales were up modestly over the first quarter, however, as discussed in previous quarters, our market is experiencing a secular shift away from Medicare Supplement and towards Medicare Advantage.

We continue to invest in both our Medicare Supplement and Medicare Advantage offerings to ensure we are well positioned to meet our customers' needs and preferences.

Consistent with the first quarter, roughly 50% of our Consumer Division life and health sales were completed virtually. Consumers selecting to engage virtually held steady even as communities reopened and vaccination rates increase. This is a profound change in how we connect with consumers and further validate the transformation we initiated in January of 2020.

It will continue to have significant implications for our business going forward. Among other things, this change expands our agent's ability to interact with customers across a broader geographic area.

As I mentioned, annuity collective premiums were up 42% as compared to the prior year and up 1% versus 2019. The number of new annuity accounts grew 16%, and the average annuity policy size rose 14%. Our portfolio of index annuity products continues to be well received by our middle market consumers.

Our recently launched guaranteed lifetime income annuity plus, was a key contributor to our second quarter annuity sales growth. Of course, we continue to maintain strict pricing discipline on our annuities to balance sales and growth -- sales growth and profitability. Participation rates and other terms are reviewed regularly to reflect current macro environment conditions.

Client assets in brokerage and advisory grew 33% year-over-year and 8% sequentially to \$2.6 billion in the second quarter. Combined with our annuity account values, we now manage \$12.7 billion of assets for our clients. This has fundamentally shifted the relationship we have with our customer base.

Unlike some insurance products, which can be transactional in nature, investment products tend to create deeper and longer-lasting customer relationships.

We continue to reap the benefits of the shift in the agent recruiting strategy that we initiated several years ago. We now rely more heavily on targeted recruiting approaches, including personal referrals. This has periodically resulted in fewer new agent recruits. However, the new agents we appoint are more likely to succeed and stay with us over time.

Relative to the year ago period, our producing agent count increased 7%. Sequentially, our producing agent count was down slightly, but overall, our agent force remains stable. Our securities licensed registered agent force was up 6%. Improvements in agent productivity have become a more important driver of our sales growth than agent count in recent quarters, and we have significant runway for future growth.

Turning to Slide 7 in our Worksite Division. Worksite sales were up sharply in the second quarter as compared to the year ago period. We expect to approach 2019 sales levels when access to workplaces improves. Ongoing pilots and programs to target new employer groups, offer new services and capture new business continue to progress.

Retention of our existing customers also remained strong with continued stable levels of employee persistency. Our producing agent count was up 15% year-over-year and 7% sequentially. Recall, that we slowed our agent recruiting during the pandemic due to workplace restrictions. As a result, agent count remains down nearly 40% from pre-COVID levels.

To help boost recruitment and support a return to pre-COVID production levels, we are rolling out a field agent referral program. This program is designed similarly to our successful Consumer Division program.

Relative to 2019 levels, our veteran agent count is up 7%. Retention and productivity levels among our veteran agents who have been with us for more than 3 years, remains very strong. These agents have been the driving force behind our recent sales momentum and are expected to be instrumental in helping to rebuild our overall agent force.

Fee revenue generated from our business has more than doubled in the quarter due to the DirectPath acquisition. Feedback has been strong surrounding the unique combination of products and services we can now bring to the worksite market. We are realizing early cross-sell successes between Web Benefits Design and DirectPath, and the pipeline continues to grow.

Along with strong client retention, these businesses also generated double-digit increases over both 2020 and 2019 in various metrics.

Turning to Slide 8. Our robust free cash flow enabled us to return \$105 million to shareholders in the second quarter, including \$87 million in share buybacks. We also raised our dividend 8% in May and 9% consecutive annual increase.

Our capital allocation strategy remains unchanged. We intend to deploy 100% of our excess capital to its highest and best use over time. While share repurchases form a critical component of our strategy, organic and inorganic investments also play an important role.

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

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Thanks, Gary, and good morning, everyone. Turning to the financial highlights on Slide 9. Operating earnings per share were up 20% year-over-year and up 60%, excluding significant items.

The results for the quarter reflect solid underlying insurance margins, ongoing net favorable COVID related impacts, strong alternative investment performance, and continued disciplined capital management. Over the last 4 quarters, we have deployed \$337 million of excess capital on share repurchases, reducing weighted average shares outstanding by 7%.

Return on equity improved 90 basis points in the 12 months ending June 30, 2021, compared to the prior year period. The sum of expenses allocated to products and not allocated to products, excluding significant items, increased by about \$6 million sequentially, driven by incentive compensation accrual adjustments related to earnings outperformance in the first half of the year.

The increase in expenses over the prior year period also reflects lower agency management expenses in 2020, due to COVID related restrictions and the June 30, 2020, conclusion of a transition services agreement related to the long term care reinsurance transaction completed in 2018.

In general, our expenses continue to reflect both expense discipline and operational efficiency on the one hand and continued targeted growth investments on the other hand.

Turning to Slide 10. Insurance product margin in the second quarter was up \$17 million or 8%, excluding significant items. Net COVID impacts were \$21 million favorable in the quarter as compared to \$6 million unfavorable in the prior year period.

Excluding COVID impacts, margins in the quarter remained solid and stable across the product portfolio. The net favorable COVID impacts in the quarter reflect continued favorable claims experience in our health care products, particularly impacting Medicare Supplement and long term care due primarily to continued deferral of care. This was partially offset by the unfavorable impact of COVID related mortality in our life products.

The favorable COVID impact in the quarter exceeded our expectations as the outlook that we provided on our April earnings call assumed that health care claims would begin to normalize in the second quarter, including an initial spike in claims due to pent-up demand that did not materialize in the quarter.

Regarding our annuity margin, recall that in the second quarter of 2020, we saw favorable mortality in our other annuities block unrelated to COVID, which translated to \$10 million of positive impacts. As we noted at the time, this resulted from a handful of terminations on large structured settlement policies, which we expect from time to time in this block, but not on a regular basis.

Turning to Slide 11. Investment income allocated to products was essentially flat in the period as growth in the net liabilities and related assets was mostly offset by a decline in yield. Investment income not allocated to products, which is where the variable components of investment income flow through increased \$40 million, reflecting a solid gain in the current period on our alternative investment portfolio and a loss on that portfolio in the prior year period. Recall that we report our alternative investments on a 1 quarter lag.

Our new money rate of 3.38% for the quarter, was lower sequentially, reflecting a continuation of our up-in-quality bias from the first quarter and continued spread tightening in general, partially offset by higher average underlying treasury rates in the second quarter versus the first quarter.

Our new investments comprised \$1.1 billion of assets with an average rating of single A and an average duration of 16 years. This higher level of new investment reflected reinvestment of maturing assets and a higher level of prepayment activity in the period. Our new investments are summarized in more detail on Slides 22 and 23 of the earnings presentations.

Turning to Slide 12. At quarter end, our invested assets totaled \$28 billion, up 8% year-over-year. Approximately 96% of our fixed maturity portfolio is investment-grade rated with an average rating of single A.

This allocation to single A-rated holdings is up 200 basis points, sequentially. The BBB allocation comprised 39.4% of our fixed income maturities, down 140 basis points, both year-over-year and sequentially. We are actively managing our BBB portfolio to optimize our risk-adjusted returns.

To the extent suitable and attractive opportunities develop, we may, over time, balance our recent up-in-quality bias with a modest increase in allocation to alternatives, asset backed securities, CLOs or investment-grade emerging market securities.

Turning to Slide 13. We continue to generate strong free cash flow to the holding company in the second quarter, with excess cash flow of \$114 million or 128% of operating income for the quarter and \$432 million or 119% of operating income on a trailing 12-month basis.

Turning to Slide 14. At quarter end, our consolidated RBC ratio is 409%, which represents approximately \$45 million of excess capital relative to the high end of our target range of 3.75% to 400%. And our Holdco liquidity at quarter end was \$336 million, which represents \$186 million of excess capital relative to our target minimum Holdco liquidity of \$150 million.

Even after returning \$105 million of capital to shareholders in the quarter, our excess capital grew by approximately \$22 million from March 31 to June 30 of this year. This primarily reflects the strength of our operating results in the quarter and the recent up-in-quality bias in our investment portfolio.

Turning to Slide 15. While uncertainty related to COVID continues, we believe it is very unlikely that any future COVID scenario would cause our capital and liquidity to fall below our target levels. For that reason, we are no longer running a formal adverse case scenario as we had been doing through the first quarter of this year. Instead, we are updating a single base case scenario or forecast with upside and downside risks to that forecast.

In our most recent forecast, we expect a continuation of the sales momentum we've seen in the past 5 quarters. We expect a modest net favorable COVID related mortality and morbidity impact on our insurance product margin for the balance of 2021, and a modest net unfavorable impact in 2022.

This assumes that COVID deaths do not worsen in the second half of this year and that health care claims begin to normalize after a brief spike beginning in the third quarter due to pent-up demand from deferral of care.

When and if a spike actually occurs and when our health product claims actually normalize, is highly uncertain. So far, we have seen some inter-quarter volatility in our health claims during the pandemic, but nothing that has persisted long enough to establish a trend.

On the mortality side impacting our life products, the number of COVID deaths we will see for the next several quarters is also uncertain given the recent rise in infections, largely from the Delta variant and the potential for material impacts from additional variants.

Certainly, one of the biggest risks to our forecast is how exactly COVID will evolve from here. But again, we believe however it evolves, it represents an earnings event for us, favorable or unfavorable, not a capital or liquidity event.

Assuming no shift in interest rates, we expect net investment income allocated to product to remain relatively flat in this base forecast, as growth in assets is offset by lower yields, reflective of both the lower interest rate environment and our up in quality shift in asset allocation.

In general, we expect alternative investments to revert to a mean annualized return of between 7% and 8% at some point and over the long term, but the actual results will certainly be more variable with likely more upside potential than downside in the near term given the current economic outlook.

We expect fee income to be modestly favorable to the prior year, as we grow our third-party Med Advantage distribution and improve the unit economics of that business. Growth in Web Benefits Design, earnings and the inclusion of DirectPath will also contribute to fee income.

We expect the sum of our quarterly allocated and not allocated expenses ex significant items for the balance of the year to be generally consistent with levels reported in the first quarter of this year, allowing for some quarterly volatility.

And finally, as COVID related uncertainty diminishes, which it certainly will, at some point, we expect to manage our capital and liquidity close towards the target levels, reducing our excess capital over time.

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

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

Thank you, Paul. We are pleased with the healthy results we've generated this quarter and in the first half of the year. The strength of our diversified business model and the steady execution of our strategic priorities and organizational transformation underpin that success.

The Consumer Division has met or exceeded pre-pandemic performance and our Worksite Division is making meaningful progress. As we enter the second half of the year, we remain squarely focused on maintaining our growth momentum, building upon our competitive advantages and managing the business to optimize profitability, cash flows and long-term value for our shareholders.

We thank you for your support and interest in CNO. Please continue to take care of your health, including vaccinations for those that are eligible, stay healthy and stay safe. We will now open it up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Cullen Johnson with B. Riley Securities.

Cullen Johnson - B. Riley Securities, Inc., Research Division - Research Analyst

Just first wondering, given that deferral of care had contributed favorably in the quarter despite the fact that maybe coming into the quarter, we expected that to abate as things reopen further. Any insight as to maybe why that might have been taking place, why we would have been seeing a slower resumption of care than otherwise expected on the part of the consumer?

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

John, thank you for the question. The short answer is we've got a bunch of theories. I don't know that we have anything that I would point to as being hard and fast, but I'm happy to share with you some of the theories we've heard and seen.

First is, some consumers are still afraid to go back to see their doctors. Some consumers have conditions that they would have otherwise saw health care on, but those conditions passed. Some of the consumers that would have gone to see doctors now, they themselves have unfortunately passed. There are a variety of other things.

But the short answer, at least from my perspective, I haven't seen anything that says, here's exactly what happened. We know that fewer people are seeking health care and our health care claims results benefit as a result. But I've seen more theories than I can tell you what to do with in terms of what exactly is the underlying explanation.

Cullen Johnson - *B. Riley Securities, Inc., Research Division - Research Analyst*

And then kind of looking at new annualized premium, I think this was the second quarter now that we're about half of the Life and health NAP were digital. Do you think that, that number presents maybe a longer-term equilibrium percentage, so to speak, or there might be more room to the upside with respect to that?

Gary Chandru Bhojwani - *CNO Financial Group, Inc. - CEO & Director*

I think there's more -- this is Gary. I think there's more room to the upside on that. The one thing I want to be transparent about, some of this depends on how you define it. So, let's say you're sitting in some city in Iowa, and you buy a policy from an agent who is also in Iowa. But that interaction takes place over a Zoom call and you complete the paperwork via e-mail.

Now the agent is there locally, the agent is there to answer questions, and it's happy to meet your kitchen table, but you happen to do all of it digitally. And that particular product is completed, as I described digitally.

But the next product they sell, they come to sit at your kitchen table. Was that a digital relationship or what was that? And I share that with you because we're watching this evolve much more quickly than we expected. But the bottom line for all of our shareholders, we expect an increasing number of interactions to take place virtually, but not to the exclusion of that in-person interaction.

At some level, I want our consumers to interact with our agents in person because that's one of our differentiating characteristics. That's one of the things that we can do, that others cannot. We can do both. So, I want consumers that want some of both. But the short answer is we expect that the number of digital interactions will continue to grow.

Cullen Johnson - *B. Riley Securities, Inc., Research Division - Research Analyst*

Got it. And just as a follow-on. So as digital -- the number of digital sales potentially rises, do you think that could have any sort of positive impact on operating expenses, a digital sale versus one in person?

Gary Chandru Bhojwani - *CNO Financial Group, Inc. - CEO & Director*

I think over time, it will, over time, a given agent should be able to increase their productivity. They can cover a broader geographic area. And so that should definitely help us. I want to emphasize the overtime part, because it's important to remember that in the near term, we're investing in certain technologies and training. So, it will take time for all this to work its way through. Paul, do you want to add anything to any of that?

Paul Harrington McDonough - *CNO Financial Group, Inc. - CFO & Executive VP*

The only thing I'd say is that I think we're at a position now where as we continue to grow the business and sustain that growth over time, we'll get better operating leverage from our expense base, which has the potential to grow earnings and improve ROE.

Operator

Your next question comes from the line of Humphrey Lee with Dowling & Partners.

Hung-Fai Lee - Dowling & Partners Securities, LLC - Research Analyst

A question for Paul. Looking at the annuity earnings and margin, specifically for fixed intake annuities. They were very strong in the quarter. Just wondering, was there some sort of kind of market benefits running through the numbers for this quarter? And if so, can you provide some color -- some color in terms of what the normalized margin would be for the FIA?

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Sure. So, the sequential improvement in the annuities margin is reflective of market conditions, creating favorable option impacts. So just to drill down a bit higher equities, lower treasuries and lower volatility, create a situation where the value of the option assets increases in value more than the embedded derivative reserve. And just to be clear, this is really -- it's an accounting phenomenon, if you will. We would expect that the favorable trends to moderate the trends between Q1 and Q2 to moderate depending on market conditions.

In terms of longer-term sort of run rate trends, I would just point to our disclosure over the last couple of years and I think if you look at that, there's a noticeable sort of underlying run rate.

Hung-Fai Lee - Dowling & Partners Securities, LLC - Research Analyst

My second question is related to your fee revenue growth, which was very impressive, up 50% year-over-year. Can you provide some color in terms of what's the driver for that growth? And how much was that was from adding DirectPath versus the growth of your kind of existing fee based business?

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Yes. The biggest driver is DirectPath, but we are also seeing growth in the fee revenue related to distribution and Med Advantage and from WBD.

Hung-Fai Lee - Dowling & Partners Securities, LLC - Research Analyst

So, as we think about -- like normally, first quarter and fourth quarter tend to be your higher kind of fee revenue quarters and that used to be kind of \$30 million-ish. So now because with the second quarter, you're kind of at \$30 million now, how should we think about that seasonality?

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

I think you should continue to expect, the seasonality will follow the annual enrollment period, which is Q2, Q3, Q4 because remember, the Med Advantage policies we sell during the annual enrollment period show up as fee income.

Hung-Fai Lee - Dowling & Partners Securities, LLC - Research Analyst

But so is the \$30 million kind of now kind of the new run rate going forward for kind of the low seasonality quarters?

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Yes. Certainly, Q2 of this year includes a full quarter of DirectPath WBD and MA distribution.

Operator

Your next question comes from the line of Zack Byer with Autonomous Research.

Erik James Bass - *Autonomous Research LLP - Partner of US Life Insurance*

This is Erik Bass. First, do you have an estimate for the RBC ratio impact of adopting the NAIC's new C1 factors? And will you make any changes to your RBC target range as a result of this?

Paul Harrington McDonough - *CNO Financial Group, Inc. - CFO & Executive VP*

Eric, so the impact of the new C1 factors as of June 30, pro forma, all else equal, is about 16 points on our RBC, which translates to about \$80 million of capital. There are some things that we could do in the investment portfolio, that sort of arbitrages the new risk factors, and that improves the 16 basis points by a couple of points. As to how we think about it, I think it's evolving. I've seen some speculation in the analyst community that some companies will simply reduce their target RBCs.

We're in the process of doing some analysis with our own internal capital models to drive how we're thinking about it. So, I'd like to come back to this question on a future call as to whether we'll reduce, sort of formally reduce our target RBCs by some amount, either the entire sort of adjusted 16 or something less than that. I also think it will be helpful to continue our dialogue with the rating agencies to better understand how they think about it. So more to come on this, but that's the pro forma, all else equal impact.

Erik James Bass - *Autonomous Research LLP - Partner of US Life Insurance*

And then maybe moving kind of the sales and earnings. I mean, your sales obviously had a nice recovery. And as you noted, are back to pre-pandemic levels at least in the consumer business. Are you now at a level of sales where the in-force block is growing for most products? And if so, should this start to translate into faster organic earnings growth?

Paul Harrington McDonough - *CNO Financial Group, Inc. - CFO & Executive VP*

Yes. So we're -- the in-force block has been relatively flat looking backwards. But I think we're now at a point with our expense base and with our growth sort of profile, that as we continue to grow the business and that's sustainable, and we certainly think that it is. We'll begin to get better operating leverage going forward.

Operator

The next question comes from the line of John Barnidge with Piper Sandler.

John Bakewell Barnidge - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Yes. You're at \$183 million in buybacks for the year. Clearly, a good cadence, but down linked quarter. The stock declined, obviously, a little bit, but can you think about -- can you talk about how you're thinking about capital return a little bit more on the balance of the year?

Gary Chandru Bhojwani - *CNO Financial Group, Inc. - CEO & Director*

Yes, sure. John, this is Gary. Thanks for the question. I'll give you some high level thoughts. If Paul wants to share any more details, I'll let him go at, but I'll start us out.

So some of this, for those of you that have been long-term participants in this call, some of this is going to be a repeat of what you've heard from me before in terms of my thought process. But I would just remind you of a few factors. Number one, we don't have any incentive to hold excess capital. If you look at our incentive comp plans and everything else, we have no incentive to hold excess capital.

We have, historically, at least since I've been in the chair of CEO, which I think I'm going on my 15th quarter now -- 15 to 16 quarter. I have declined to provide specific guidance, but instead talk about our capacity, and then I asked all of our shareholders and analysts to judge us by our actions, not our words. And during the time I've been CEO, we bought back stock every single quarter except one. And with the benefit of hindsight, everyone realized that the one quarter we didn't was to fund the LTC transaction. So again, I ask you to judge us by our actions, not our words.

In terms of where we are right now, I think about this quarter, in particular, and even the first half of the year in a really simple way. I really like where we're positioned in terms of our capital. I like the fact that given all the uncertainty with COVID, we're still conservatively positioned. I like the fact that despite that, we were able to invest in growth. We made some investments in terms of certain technologies and abilities as well as the DirectPath acquisition.

And despite that, both quarters 2021, we were able to return a nice amount of money, \$100 million and \$87 million to our shareholders in the first quarter and the second quarter. As to the specific amounts in any given quarter, one of the things that factors into this analysis is how we think about price.

Not surprisingly, the members of management, we believe that the intrinsic value is well above the GAAP book value. But that doesn't change the reality that when we buy shares at 95% of book value, say, versus 80% of book value, the benefit is different. I think our long-term shareholders would prefer to see us buy more stock when it's at 80% of book than say at 95% of book, not because of any commentary on the belief in the company, but just because of the accounting treatment and how it benefits us.

So I think what you saw happen from Q1 to Q2, when the stock is trading lower, we'll buy more when the stock is trading higher, we'll buy less. And I want to emphasize, that's not a commentary on our view of the intrinsic value of the firm, rather, it's a simple recognition of the accounting treatment and the greater discounted book i.e., the cheaper the stock is the more we'll buy.

So, I wouldn't read into that small delta of \$13 million between Q1 and Q2 as anything meaningful. It's nothing more than an acknowledgment of where the stock is trading.

In case Paul wants to add anything, Paul, did you want to?

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Yes. I think that captures it.

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

Okay. Go ahead, John.

John Bakewell Barnidge - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

And then the follow-up, safe to say claims tailwind persisted to a greater level than initially expected. Can you talk about maybe how each month of the quarter progressed? And how you're thinking about it run rating into the third quarter?

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Yes. John, it's Paul. I'd say, broadly speaking, there's been some volatility from month-to-month over the course of the pandemic going back a year, going back more than a year now. Within an individual product line, yes, you might have a month where it's up, and then the next month, it's down. But it's been relatively stable. There's certainly not been any persistence trend up towards more normal levels. As we said in our outlook, for the third quarter in a row, we think it's going to begin to trend up towards more normal levels the next quarter. And we'll see.

I think that if our base case assumption holds, that we don't see another spike in material spike in infections and deaths. And I think that's a reasonable expectation. If we do see another spike in infection and death, it's probably not. But it also doesn't necessarily mean that we'll have the same behavior by consumers that we've seen so far. In other words, there's a possible scenario where death spike again and you have the mortality impact. But consumers say, you know what, I need to get back to my doctor's office and they begin doing that. So I guess I'd just emphasize that how things actually evolve is very uncertain, and I wouldn't pretend to know exactly what that may look like.

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

John, this is Gary. The only thing I'd add to that. I think, what you're hearing so much? We don't know. We've been surprised, as Paul indicated, for the third quarter in a row, we thought claims have come back, and they didn't. So we simply don't know, but we keep trying to send the signals and take a conservative position because we feel like that's our obligation to try and say, Hey, we think it will come back next quarter. The reality is, especially now that we've been wrong for 3 in a row?

I wouldn't even know how to give you odds is how the likelihood is that it's actually going to come back. We just don't know, but we're trying to be as conservative as we can.

John Bakewell Barnidge - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

No, that's helpful. It's like a Ping Pong ball. You'll have all these assumptions and at the end of the day, it's going to land further on one side or the other based on an average.

Operator

Our next question comes from the line of Ryan Krueger with KBW.

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

I was hoping you could talk a little bit about recruiting trends. Some of your peers have talked about seeing some challenges in terms of recruiting due to tight labor conditions, but I know you've also been shifting away from -- or shifting some of the sources of your recruits. So I was just hopeful for some commentary there.

Gary Chandru Bhojwani - CNO Financial Group, Inc. - CEO & Director

Yes. Thanks for the question, Ryan. I've been involved in a handful of other groups, both within the insurance industry and other industries with other business leaders, I don't know a CEO out there right now that's not worried about ability to get labor. Every single CEO I've talked to, regardless of industry, has expressed concerns over the tightness of the labor market and how difficult it is to get help. So we are absolutely no exception in that regard.

One could argue that some of that trend is even more difficult for us because, remember, our agents work on a commission basis. They eat, what they kill. If they don't sell anything, they don't make money. Now we have support programs and so on early on, but those difficulties are absolutely hitting our business.

Frankly, we got very, very lucky. A couple of years ago, we started to make a move to deemphasize just a raw number of recruits and instead try and focus on more targeted recruiting with an idea that, that would benefit our productivity and our tenure, even if we didn't grow the top line in terms of agent counts quite as much.

So we're staying consistent with that strategy. I think that strategy is really good in this environment. And again, just out of pure luck, we started a few years ago. So we're well into that. We're going to stay on that path. You'll see us continuing to emphasize productivity. We, of course, do need to grow agents, but I'm less focused on that. I'm more focused on productivity and tenure and if you look at our numbers, you can see that on both of those metrics, we've done a pretty reasonable job, and we'll continue to do that. But Ryan com will continue to be challenged. There's no question about it.

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

And then can you comment at all on persistency trends that you've seen in the life and health business through the pandemic, if you've seen any benefit to persistency, I guess, maybe particularly in the life business, you've gone through the last couple of years now.

Paul Harrington McDonough - CNO Financial Group, Inc. - CFO & Executive VP

Sure. Ryan, yes, the persistency really across our product portfolio through the pandemic has been relatively stable. A little volatility here and there that has driven some pluses and minuses on the margin. But by and large, it's remained relatively consistent with pre-COVID experience.

Operator

At this time, there are no further questions. I'll turn the call back over to Jennifer Childe for closing remarks.

Jennifer Childe - CNO Financial Group, Inc. - VP of IR

Thanks very much for your participation in the call. We look forward to speaking with you again soon.

Operator

Thank you, ladies and gentlemen. You may now disconnect.

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