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PRESENTATION

Operator

Hello, everyone, and thank you for joining the CNO Financial Group Second Quarter 2025 Earnings Call. My name is Sami and I'll be coordinating your call today. (Operator Instructions) I would now like to hand over to your host Adam Auvil from CNO to begin. Please go ahead, Adam.

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 2025 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.

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 will be making performance comparisons and unless otherwise specified, any comparisons made will refer to changes between second quarter 2025 and second quarter 2024. And with that, I'll turn the call over to Gary.

Gary Bhojwani - CNO Financial Group Inc - CEO

Thanks, Adam. Good morning, everyone, and thank you for joining us. CNO delivered another strong quarter, and we remain on track to achieve our 2025 and three-year return on equity improvements. We continue to deliver consistent, repeatable results that demonstrate the steady execution of our strategic plan and position us for sustained profitable growth.

Our business fundamentals remain strong. Sales results in the quarter were excellent, including record total new annualized premiums of \$120 million, up 17%, double-digit insurance sales growth in both divisions, and multiple product line sales records. We also delivered our 12th consecutive quarter of strong sales momentum and our 10th consecutive quarter of growth in producing agent comp. I'll cover these results in more detail in each division's comments.

Operating earnings per diluted share were \$0.87. Earnings continue to benefit from favorable insurance product margin and solid investment results, reflecting growth in the business and expansion of the portfolio book yield. New money rates have exceeded 6% for 10 consecutive quarters now, while maintaining portfolio quality. Capital and liquidity remain above target levels. We returned \$117 million to shareholders in the quarter and \$234 million year-to-date.

Book value per diluted share, excluding AOCI, was \$38.05, up 6%. Paul will go into greater detail on our financial performance.

Turning to Slide 5. All of our growth scorecard metrics were up for the quarter. As a reminder, our growth scorecard focuses on three key drivers of our performance: production, distribution and investments in capital. I'll discuss each division in the next two slides. Paul will cover investments and capital in more detail during his remarks.

Beginning with the Consumer division on Slide 6. The Consumer business delivered excellent sales results and our 11th consecutive quarter of sustained growth. Nearly all product lines were up by double digits. Steady execution and our focus on the underserved middle income market drive our continued growth. We build lasting relationships with our customers by combining a virtual connection with local agents who deliver the last mile of sales and service.

As I have shared throughout my tenure with CNO, this personal interaction that our agents maintain is especially valuable to our customers during times of economic uncertainty and market volatility.

Annuity collected premiums hit a new record, surpassing \$500 million for the first time in a single quarter, driven by 19% growth. This marks our eighth consecutive quarter of annuity growth. Average account size was up 11% and in-force account values were up 8%. Our captive distribution in the long-term relationships that our agents establish with their clients add stability to our annuity block.

We delivered our ninth consecutive quarter of brokerage and advisory growth. Client assets in brokerage and advisory were up 27% to \$4.6 million for the quarter, a new record. New accounts were up 13% and average account size was up 12%. When combined with our annuity account values, our clients now entrust us with more than \$17 billion of their assets, up 13%. Sustained growth in brokerage and advisory and annuities reflects a critical, but largely unmet need within our markets to help protect them against outliving their retirement income.

It has long been our position that middle-income consumers need and deserve access to professional guidance and retirement products. We consider it a great privilege to serve this market.

Life and health NAP posted double-digit growth in the quarter, up 17%. We are pleased with our life business results, including total life insurance up 20%, record direct-to-consumer life insurance sales up 29%, and field agents sold life insurance up 4%. As expected, our life production returned to growth this quarter as D2C lead volumes rebounded nicely.

Our results also benefited from initiatives deployed over the last several years to proactively diversify our non-television direct marketing to include more digital, web and third-party channels. Web and digital now accounts for over 30% of sales generated by D2C leads, up 39% year-over-year. We also continue to experiment with select third-party partners to distribute our simplified issue life products.

Total Health NAP was up 13%. As I shared last quarter, sustained growth in our health results underscores our strong customer demand for practical solutions to cover out-of-pocket gaps in medical coverage and safeguard against the growing cost of health care. Supplemental health was up 21%, and Medicare Supplement was up 18%. Medicare Advantage policies sold were down in the quarter, but are up 4% for the year. Medicare Advantage sales are not reflected in NAP. Recall that we manufacture Medicare Supplement products and distribute Medicare Advantage policies from more than 20 third-party carriers.

By offering both products, we can provide more coverage options for customers to choose from and respond immediately to shifts in the competitive landscape and health care preferences of our middle-market consumers. With more than 11,000 people in the U.S. turning 65 every day, demand for Medicare product is steady. Medicare is a year-round business for CNO and remain a flagship door opening product for us to meet and serve more customers.

Agent productivity and retention were strong in the quarter, fueling our sales momentum. Producing agent count was up 3%, marking our 10th consecutive quarter of growth. Registered agent count also increased by 6%. Investments in technology continue to enable customer experience improvements and drive operational efficiency. For example, accelerated underwriting on a portion of our simplified life products delivered an 89% instant decision rate on submitted policies in the quarter, up 12% over first quarter 2025.

Next, Slide 7 in our Worksite division performance. We delivered a record second quarter performance for insurance sales within Worksite life and health -- with Worksite life and health NAP up 16%. This represents our sixth consecutive quarter of record NAP growth and our 13th consecutive quarter of overall NAP growth. Highlights included record life insurance sales up 54%, hospital indemnity insurance up 22%, and accident insurance up 16%. Life sales now comprise 35% of our total worksite insurance sales.

Strategic growth initiatives contributed significantly to our Worksite NAP performance. Our geographic expansion initiative delivered 25% of the NAP growth in the quarter, marking the sixth consecutive quarter of growth from this program. NAP from new group clients was up 84%. Worksite recruiting was up 34% in the quarter and agent productivity was up 16%. Producing agent count was up 4%, our 12th consecutive quarter of growth.

Recent investments in training and sales technology tools continue to enhance agent productivity and generate momentum. One example was the launch of our new customer relationship management platform to enable sales and new group development. Agent response has been strong. Fee sales were flat for the quarter. We expect to see improvement in the second half of the year, driven by a growing interest in our new Optavise Clear product.

Optavise Clear unites our existing services into a single package for employees while also adding new Medicare advocacy services and enhancing user technology. Early feedback from our brokers and clients is encouraging.

As our Worksite division ramps up for enrollment season, we also introduced a new marketing campaign, Health is Human. In both the Worksite and Consumer divisions, our customers are looking for technology to supplement but not replace human interaction. This campaign highlights the value that our experienced agents and advocates bring to clients when coupled with our technology.

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

Paul McDonough - CNO Financial Group, Inc - CFO

Thanks, Gary, and good morning, everyone. Turning to the financial highlights on Slide 8. Operating earnings in the quarter and year-to-date were in line with our expectations with some puts and takes. Insurance product margins continue to benefit from consistent growth in the business, rising book yields and net favorable claims experience across the product set. On the other hand, the yield on our alternative investments remain below our long-term run rate expectation, creating a partial offset.

In the quarter, we deployed \$100 million of excess capital on share repurchases, and intentionally bringing risk-based capital and Holdco liquidity closer to our run rate targets. The share repurchases in the quarter contributed to an 8% reduction in weighted average diluted shares outstanding.

On a trailing 12-month basis, operating return on equity was 11.8% and 11.2%, excluding significant items. This does include some elevated earnings in the second half of 2024. On a run rate basis, we remain on track to generate an operating return on equity of around 10.5% for the full year 2025 and to achieve our three-year target of 11.5% in 2027, reflecting an improvement of 150 basis points relative to a run rate return on equity of about 10% in 2024.

Turning to Slide 9. Total insurance product margin was solid for the quarter, modestly exceeding our expectations with spreads and surrender activity in line with expectations in our annuity products and with net positive claims experience across our health and life products.

Within our health products, supplemental health and long-term care continue to benefit from favorable claims experience, while we have seen higher claims in our Med Supp products. As you know, Med Supp allows for annual rate adjustments, enabling us to respond promptly to claims experience as needed. Life margins reflect lower nondeferrable advertising expense in trad life with mortality experience and trends generally in line with expectations.

Our total margin, again demonstrates the value of our diversified product portfolio where we ordinarily see some puts and takes, netting to stable and growing margin in total over time. As a reminder, the prior period benefited from a favorable MRB reserve movement in our FIAs and a significantly favorable reserve change in our other annuities driven by favorable mortality.

Turning to Slide 10. Total net investment income grew for the seventh consecutive quarter. The average yield on allocated investments was 4.92%, up 11 basis points year-over-year. The increase in yield along with growth in the business drove a 7% increase in net investment income allocated to products for the quarter. This was partially offset by a decline in net investment income not allocated to products, which was primarily driven by lower option forfeitures as a result of lower annuity surrenders and lower in-the-money options, tighter spreads in the FHLB program and higher interest expense on higher average debt outstanding.

Income from our alternative investments was flat year-over-year, generating a return of 6% as compared to our long-term run rate expectation of between 9% and 10%. In total, net investment income was up 2%. Notably, the second quarter marked the 12th consecutive quarter of growth in book yield and invested assets, and the 10th consecutive quarter of new money rates that exceed 6%.

Turning to Slide 11. The market value of invested assets grew 5% in the quarter, primarily driven by growth in the business and market appreciation on the investment portfolio. Approximately 96% of our fixed maturity portfolio at quarter end was investment-grade rated with an average rating of single A, reflecting our up in quality bias over the last several years. Our portfolio is high quality, liquid and built for resilience in volatile market environments.

Turning to Slide 12. Over the past several quarters, we had pursued a measured approach to draw down excess capital by returning capital to shareholders through share repurchases. As of June 30, we are closer to our target risk-based capital and minimum Holdco liquidity levels with a consolidated RBC ratio of 378% and Holdco liquidity of \$187 million. Leverage at quarter end was 26.1% at the low end of our target range.

Turning to Slide 13 and our 2025 guidance. We are reaffirming all guidance as summarized on this slide with one small adjustment. We are lowering the upper bound in the expense ratio range to 19.2% from 19.4%, reflecting better operating leverage as we continue to grow the business. As a reminder, the guidance does not reflect any new treaties with our Bermuda company. We continue to work with our domestic regulators and the Bermuda Monetary Authority to explore additional transactions.

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

Gary Bhojwani - CNO Financial Group Inc - CEO

Thanks, Paul. CNO remains uniquely positioned to serve the growing needs of the middle-income market with our diverse products and distribution. Our business fundamentals remain strong. We move into the second half of the year with considerable sales momentum and a clear line of sight to improve profitability. We continue to be pleased with our consistent, repeatable results and the steady execution against our strategic growth plan.

CNO remains well equipped to navigate the evolving economic environment, drive improved return on equity, and to deliver on our promises to our customers and shareholders.

Before we open up the line for questions, I am pleased to share that in September, we will host the next session in our CNO Investor Briefing series. This one-hour session will focus on the Consumer division led by Division President, Scott Goldberg. As a reminder, our investor briefings focus on one area of CNO's business, provide a deeper look at that area of strategy and approach, and offer an opportunity for Q&A with members of management. Program registration will open in August. Event details will be announced soon.

So please ensure that you are signed up to receive our e-mail alerts.

We thank you for your support and interest in CNO Financial Group. We will now open it up to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thanks very much. (Operator Instructions) Our first question comes from Ryan Krueger from Keefe, Bruyette, & Woods. Your line is open. Please go ahead.

Ryan Krueger - Keefe, Bruyette, & Woods. - Analyst

Hey, thanks. Good morning. My first question was on direct-to-consumer sales. Can you give a little bit more color on the momentum from the web digital piece of this? And to what extent do you think that can continue? It seems like, in particular, this was an extremely strong quarter there. So I was just hoping to get a little bit more color on what's going on underneath the surface.

Gary Bhojwani - CNO Financial Group Inc - CEO

Hi Ryan, this is Gary. Thanks for the question. So let me first say that we're very pleased with how the direct-to-consumer business continues to evolve and grow. We do expect the momentum to continue. All of that said, as I always -- when I speak with analysts and investors, this is not a quarter-to-quarter business, this is a much longer-term business, and there will be ups and downs. That said, we don't see anything in the near future that's going to slow us down.

For this particular cycle, our improvement really came from a handful of areas. Number one, we had very good recovery in our lead generation. We continue to have strong success in pivoting to web and digital from traditional lead generation source like TV. Now consumer behavior continues to change around television. So that volume is going down while digital volume is going up. It's really difficult to predict how much they'll offset one another, but we really like what we saw this quarter.

As an example, web and digital sales were up 39% versus the prior year and represented nearly a third of our total D2C sales in this quarter. So we continue to see that gain. We continue to see that shift in consumer behavior. We have every expectation that we will continue to see good traction with the web and digital. Will every single quarter be up 39%? I can assure you that will not be the case. But over the long term, 2 to 3 years, we expect to see this grow very nicely.

Ryan, did I answer your question?

Ryan Krueger - Keefe, Bruyette, & Woods. - Analyst

You did, thank you. And then I had a follow-up on Medicare Supplement. Your margins have held up pretty well, down a little bit year-over-year, but overall still pretty good. I know there's a lot of differences between other Medicare areas. I just thought it would be -- maybe take the opportunity to have you talk a little bit about what you're seeing in that business, just given all the headlines around the softness at the primary health care companies.

Gary Bhojwani - CNO Financial Group Inc - CEO

Yes. Brian, I'm really glad you asked the question because there are lots of differences. And one of the things I would ask our investors and analysts to do is really remember the ways in which our book is different, because there are some very substantial differences between our business and some of the companies that are currently getting a lot of headlines. And I want to give you maybe a quick framework within which to think about this.

I would argue that there are three different areas or three different categories where our business is materially different than some of what you're reading in the headlines. So first and foremost is our distribution profile. We have a long history with captive agents. And remember, the way our captive agents are managed and incented gives us better persistency. There's less of an incentive to churn, there's less of an ability to churn, and it gives us more control.

We've continued to have very good production. And remember that with our captive distribution, we really view Medicare Supplement as a way to start the relationship.

Now there are very strict guidelines around how you can cross-sell and what you need to do to develop a relationship and so on. And we, of course, follow all of those. But we really encourage our captive distribution to think about this as a much broader relationship. They're not just trying to sell one product, they're trying to build a broader relationship. So our distribution is very different. That's the first category.

The second category is what I would just generically describe as underwriting risk. So first of all, it's really important to remember that Med Supp is funded by the premiums received by the policyholders. Medicare Advantage and Medicaid and some of these other things are funded through reimbursement rates set by the government. Med Supp has a fixed benefit profile. Med Advantage has a benefit profile that is up to the carrier that can be negotiated differently, and that's where some of the carriers have gotten into trouble.

Remember, we sell Med Advantage, but we don't manufacture it. So we don't have some of those risks. The biggest area of risk we have is in Medicare Supplement, which is what we manufacture. We've been doing that for a long time. And as a reminder, we get a chance to reprice that every year.

So the underwriting risk around Medicare Supplement is very different than Medicare Advantage and Medicaid. And again, when you're reading these headlines, it's really important to remember that when you're seeing this.

Finally, if you think about the regulatory risk, it really seems to be concentrated at the moment on Medicare Advantage. And I just want to remind you again, we don't manufacture that, we strictly distribute it. Agents are paid the same commission in our system regardless of the carrier, and there's no incentives for selling specific carrier products. In addition, those Medicare Advantage carriers pay CNO, they don't pay the agents directly. We then distribute that. So we have certain elements of control that really mitigate some of that regulatory risk and some of the things you've been reading on.

So just to summarize, distribution risk is different, underwriting risk is different and regulatory risk is different. We come at this in a very different way than some of the companies that are currently in the headlines.

Ryan Krueger - Keefe, Bruyette, & Woods. - Analyst

Great thanks Gary.

Operator

Our next question comes from John Barnidge from Piper Sandler. Your line is open. Please go ahead.

John Barnidge - Piper Sandler - Analyst

Thank you very much. Appreciate the opportunity. Can you maybe talk about the expense experience in the quarter and the change in the guide? I know there's been a tech and automation aspect that's probably helped expenses while also greater leverage on distribution.

Paul McDonough - CNO Financial Group, Inc - CFO

Sure, good morning, John, it's Paul. So our expenses in the quarter and year-to-date are generally in line with our expectations on a dollar basis. The expense ratio is a bit better, which is primarily a reflection of better operating leverage as we grow the business. So the denominator in the ratio is helping.

John Barnidge - Piper Sandler - Analyst

Great, thank you. And then can you maybe talk about the long-term care utilization claim patterns and any notable changes that occurred in the quarter? Thank you.

Paul McDonough - CNO Financial Group, Inc - CFO

Sure. It's really just a continuation of the favorable claims experience that we've been seeing. We're certainly pleased to see that. Looking forward, it wouldn't surprise us if we see a bit of a continuation of that. Longer term, we would expect that LTC claims would begin to trend closer to what the experience had been pre-COVID. But that's kind of a crystal ball question, time will tell.

John Barnidge - Piper Sandler - Analyst

Appreciate the answers.

Operator

Our next question comes from Wes Carmichael from Autonomous. Your line is open. Please go ahead.

Wes Carmichael - Autonomous Research - Analyst

Hey, thank you, good morning. I just wanted to follow up quickly on the Medicare Supplement discussion. And I understood all your comments, Gary. I was just wondering if -- can you share any color on repricing of that product? How much you're going after on a blended basis? I realize it's with the states, but when that should kind of come through margins from this higher claim utilization in the near term?

Paul McDonough - CNO Financial Group, Inc - CFO

Yeah, I.

Gary Bhojwani - CNO Financial Group Inc - CEO

Don't think we've, sorry, go ahead, Paul, go ahead.

Paul McDonough - CNO Financial Group, Inc - CFO

So on the claims experience and how we would respond with rate filings, so I would describe the claims experience as a modest tick up relative to our expectations. We do expect that will likely persist over the back half of this year. We're baking all that into our rate filings that are happening sort of right around and now is the timing and would be effective in the first quarter of next year for the lion's share of our book of business. And sort of order of magnitude, average requested rate filings is in the 10% range.

Wes Carmichael - Autonomous Research - Analyst

Got it. That's very helpful, Paul. And my follow-up, I'm sure you've gotten this question before, but just on competition in the annuity, the fixed annuity space, and I know you guys play more in the middle income area of the market. But have you seen any change in competition in that market over the past few months or years? And I guess, I ask it in the context of lots of private equity or alt manager-related capital chasing that space. I wonder if you're seeing that as well.

Gary Bhojwani - CNO Financial Group Inc - CEO

Look, there's a tremendous amount of interest and competition in this space. That's not going to discontinue anytime soon. The asset managers look at the annuity and the insurance business is, frankly, a really cheap source of funds. So they're going to continue to be very aggressive here. So there's tons of competition, it's not going to slow down.

But and this is the critical thing, most of those folks are calling on consumers with \$0.5 million or \$1 million or more. Very few of those folks are calling on the client base that we're calling on where you've got the average annuity being sold of \$150,000 or less. So tremendous competition, generally speaking, in the annuity space, not nearly as much competition in our particular area, and we really like it that way.

Wes Carmichael - Autonomous Research - Analyst

Got it, thanks Gary.

Operator

Our next question comes from Suneet Kamath from Jefferies. Your line is open. Please go ahead.

Suneet Kamath - Jefferies Financial Group Inc - Analyst

Thanks, I wanted to go back to the Medicare Advantage. I totally get it that you don't underwrite it, you sell it. But I guess how diversified is the mix of carriers that you're using? And then relatedly, I think one of the carriers out there, it's been pretty public, has had some issues in terms of payment of claims. Is there any risk to CNO from that?

Gary Bhojwani - CNO Financial Group Inc - CEO

No risk to CNO from that, on that question. On the first question, I believe we have currently about 20 carriers, give or take. So there's no particular concentration risk. We don't see this as a substantial challenge, to be honest with you, given our business model. Virtually every American that turns 65 is going to at least look at Medicare Supplement or Medicare Advantage.

The vast majority are going to buy one of those two things. And those consumers that start to shy away from Medicare Advantage will most likely buy Medicare Supplement, and that's just fine by us.

If you play the tapes back from last three to five years on our earnings calls, I've been saying the same thing. We're happy to sell them either. We probably have a slight preference for Medicare Supplement because we both manufacture and distribute it. But we're happy to sell them either. We're happy to see that demand go to either side of the balloon. It's not a problem for us. We're not concerned by it at all.

I think the other thing I would just remind everybody, even if that Medicare Advantage secular trend starts to shift, let's remember that it's been going in one direction for a few years. If it starts to go in the other direction, there's still plenty of room, plenty of volume. And remember that there's still 11,000 folks turning 65 every day. None of that changes whether they start to buy more MA or Med Supp, either way is fine by us.

Suneet Kamath - Jefferies Financial Group Inc - Analyst

Got it. That makes sense. And then I guess on the annuities, the \$520 million of sales, I think, was a record. Anything unusual in there? Or should we think about maybe this being a new baseline? And can you comment about the spreads that you're getting on the new business? I think you've talked about the yields, but just curious if there's been any change in the spreads that you're netting, thanks.

Gary Bhojwani - CNO Financial Group Inc - CEO

I'll let Paul answer the last part of that about the spreads. But there was nothing unusual in there in the annuity sales. We do expect our sales to remain strong. All of that said, comparables get tougher. I'm not willing to commit that every quarter is going to be this strong, but we really like the momentum we have. We like the response from our customers. We love the way our producers are thinking about this.

And the other thing I'd point out that we haven't drawn a lot of attention to, the nature of our system virtually guarantees that we have very little churn as compared to other people. The way our block is set up, and you can see that in the growth -- the steady growth of the block and the persistency and so on. In addition to the strong sales, we have an absence of churn. And if you look closely at some of the other results out there in the industry, I think that will be another notable point of difference. But no major differences.

And then, Paul, I don't know what you want to share on the spreads?

Paul McDonough - CNO Financial Group, Inc - CFO

Yes. On the spreads, Suneet, we've referenced some spread compression over the last couple of years. I would say sequentially and year-over-year spreads were pretty stable. Certainly no change in our -- the spreads that we're pricing to, to meet our return expectations for the product.

Suneet Kamath - Jefferies Financial Group Inc - Analyst

And if the Fed starts cutting rates, does that have any impact on this business? Or is it not affected? Thanks.

Paul McDonough - CNO Financial Group, Inc - CFO

The rate environment generally is an input to where we set the par rate on the product. So in that context, it has an impact. But I wouldn't expect it to have a material impact on the demand from our target market and the production.

Gary Bhojwani - CNO Financial Group Inc - CEO

Alright thank you.

Operator

Our next question comes from Joel Hurwitz with Dowling & Partners. Your line is open. Please go ahead.

Joel Hurwitz - Dowling & Partners Securities LLC - Analyst

Hey, good morning. I want to go back to the first question on direct-to-consumer sales. So you touched on the strength from web and digital, but I do the math and even back that out it looked like, direct to consumer sales outside of web and digital we're still very strong, despite the lower ad spend. So can you just provide some more color outside of web and digital what you saw in B2C sales?

Gary Bhojwani - CNO Financial Group Inc - CEO

We continue to see strong production from our direct sales. We have a handful of independent third party partnerships that we're experimenting with. Those have yielded nice results, and then of course, as I said, the web and digital, so it's been strength all the way across.

Joel Hurwitz - Dowling & Partners Securities LLC - Analyst

Okay. And then, Paul, on -- anything you'd call out on the statutory income or RBC in the quarter? I would have thought there would have been some reversal of the adverse impact that you saw in the first quarter, just given the strong equity market performance in the second.

Paul McDonough - CNO Financial Group, Inc - CFO

Yes. Joel, so there was essentially a reversal in the second quarter, offsetting the favorable impact -- sorry, the adverse impact in the first quarter. Stat income in total was a bit below our expectations, I'd say, driven on the margin by our alternative investments. And all of that gets baked into our -- the dividend that we're paying up the chain, solving for something a bit above our target 375%. So the RBC essentially flat from quarter-to-quarter, 1Q to 2Q was by design and bringing us to the RBC of 378% relative to our target 375%.

Operator

Our next question comes from Wilma Burdis from Raymond James. Your line is open. Please go ahead.

Wilma Burdis - Raymond James Financial Inc - Analyst

Following on the recent session you all hosted on investments, can you talk about how the environment looks today? Has anything changed? And where are you seeing the best opportunities?

Paul McDonough - CNO Financial Group, Inc - CFO

Wilma, sorry can you repeat? I didn't catch the first part of your question.

Wilma Burdis - Raymond James Financial Inc - Analyst

Sorry. Yes, just following up on the recent session you all hosted on investments, so just talk a little bit more about the investments what you're seeing today, if anything has changed and what looks like the best opportunities. Thanks.

Eric Johnson - CNO Financial Group Inc - Chief Investment Officer and President

Good morning. This is Eric Johnson, and happy to follow up on that question. As you remember on our Investor Day, we talked a fair bit about two or three particular asset classes that we thought would bear fruit for us through the remainder of the year. I'll give you a couple of reminders or examples. First off, we talked about residential mortgage loans where we thought there was good value, particularly in agency eligible loans that were paying as much as 100 basis points, 150 basis points over single A corporates with about the same level ultimately of expected loss and about the same level of capital required. And we've continued to work in that area.

Also, we talked a little bit about CRE CDO AA and maybe some AAAs as well, which pay a nice spread, are very, very loss remote and are pretty short on the curve. So we'll do well if the Fed follows through with some rate cuts. And then lastly, we talked a little bit about the muni space, the taxable munis, which I think we think continue to offer some good value and diversified risk factors as well. So it's pretty much, I'd say, steady as she goes in those areas. We continue to pile up quarter after quarter of pretty good book yield and core income.

And while we continue to also hold quality high and liquidity pretty high as well. I hope I answered your question.

Wilma Burdis - Raymond James Financial Inc - Analyst

Thank you and could you give us a little more color on recruiting activity in the quarter and just talk a little bit about, training of new agents and you know how we should expect that to convert into sales later in 2025. Thanks.

Gary Bhojwani - CNO Financial Group Inc - CEO

Yeah, we really like where we are in terms of Asian productivity both in the work site and consumer divisions. We've had good recruiting, good productivity. We expect that to continue. And our point of emphasis, I think, is productivity that will continue to be the case, and you've seen that in the numbers. I think the strong sales numbers speak for themselves, and we don't see any reason for that to slow down. Conventional wisdom is held that if the economy does soften, that should help recruiting. But even in a relatively robust economy like we've seen, we've been able to maintain that, and I would expect that to continue. I see no reason to see this slow down.

Operator

Our next question comes from Jack Matten from BMO. Your line is open. Please go ahead.

Jack Matten - BMO Capital Markets - Analyst

Just a follow-up on the capital question earlier. Does the lower kind of stat earnings you saw change your view at all of excess cash flow generation this year? I think the outlook was \$200 million to \$250 million, given that you're ultimately solving to be at around that 375% RBC ratio.

Paul McDonough - *CNO Financial Group, Inc - CFO*

Sure, good morning, Jack. So the first thing I'd say is that free cash flow is often lumpy from quarter-to-quarter and more stable on an annual basis. So we did generate about \$50 million of free cash flow in the quarter and year-to-date, but over \$200 million on a trailing 12-month basis through June 30. So we do remain confident in our full year guidance.

Then with respect to the first half, the free cash flow was certainly a bit below our expectations, primarily driven by taxes. In the ordinary course, taxes on our stat income are paid from the OpCos to the Holdco, which is where all the NOLs currently reside. In the first half, we actually had no taxable stat income due to the tax reserve fluctuations in our fixed indexed annuities. This is really just timing. We do expect tax payments up the chain to resume in the second half.

So hopefully, that provides some color. But bottom line is we remain confident in the full year guidance.

Jack Matten - *BMO Capital Markets - Analyst*

That's all thank you. That's helpful. And then can you just remind us where CNO stands in considering additional opportunities with your Bermuda company, until what extent you think could support ROE accretion as part of the targets you've laid out?

Gary Bhojwani - *CNO Financial Group Inc - CEO*

Yes. So we are very pleased with how the Bermuda operation continues to develop. As we've shared before, we have a very strong incentive in continuing to maximize that entity. We are engaged in discussions with regulators there, and we're very pleased with how those discussions are going. We also think it's critical that we not front-run any of those discussions, and we really don't want to provide any more details until we have greater definitive responses from our regulatory interactions.

But the bottom line is we like the way everything is trending, and we continue to engage in discussions with the Bermuda Monetary Authority.

Jack Matten - *BMO Capital Markets - Analyst*

Got it, thank you.

Operator

We currently have no further questions. So I'd now like to hand back to Adam for some closing remarks.

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

Thank you, operator, and thank you all for participating in today's call. As a reminder, if you're interested in receiving details on our upcoming investor briefing, please ensure that you are signed up to receive our e-mail alerts. Have a great rest of your day.

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