

# CNO FINANCIAL GROUP, INC.

## FORM 8-K

(Current report filing)

Filed 03/31/09 for the Period Ending 12/31/08

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15 (d) of  
the Securities Exchange Act of 1934

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Date of Report (Date of earliest event reported): March 31, 2009

**CONSECO, INC.**

(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of organization)	001-31792 ----- (Commission File Number)	75-3108137 ----- (I.R.S. Employer Identification No.)
11825 North Pennsylvania Street Carmel, Indiana ----- (Address of principal executive offices)		46032 ----- (Zip Code)

(317) 817-6100

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address,  
if changed since last report)

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On March 31, 2009, Consecro Inc. (the "Company") issued additional financial information for the quarter and year ended December 31, 2008, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information contained in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01(d). Financial Statements and Exhibits.**

The following materials are furnished as exhibits to this Current Report on Form 8-K:

99.1 Fourth Quarter 2008 investor supplement.

**SIGNATURES**

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

**CONSECO, INC.**

March 31, 2009

By: */s/ John R. Kline*

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*John R. Kline*  
*Senior Vice President and*  
*Chief Accounting Officer*

## Quarterly Financial Supplement - 4Q08

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### Conseco, Inc.

#### Consolidated balance sheet (in millions)

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
<b>Assets</b>								
Investments:								
Actively managed fixed maturities at fair value	\$20,583.4	\$20,263.3	\$17,899.6	\$17,859.5	\$17,531.1	\$17,552.1	\$16,641.7	\$15,277.0
Investments to be transferred pursuant to an annuity coinsurance transaction at fair value	0.0	0.0	2,564.1	0.0	0.0	0.0	0.0	0.0
Equity securities at fair value	29.7	40.2	35.5	34.5	34.4	34.3	34.2	32.4
Mortgage loans	1,479.8	1,547.6	1,706.2	1,855.8	1,908.1	1,976.3	2,047.3	2,159.4
Policy loans	409.3	410.3	389.5	370.4	367.0	364.3	362.0	363.5
Trading securities	823.2	800.6	691.2	665.8	361.2	266.5	280.5	326.5
Securities lending collateral	593.8	460.7	407.5	405.8	387.7	295.9	282.0	393.7
Other invested assets	171.5	201.3	177.6	132.7	86.6	86.6	90.8	95.0
Total investments	24,090.7	23,724.0	23,871.2	21,324.5	20,676.1	20,576.0	19,738.5	18,647.5
Cash and cash equivalents - unrestricted	250.7	499.2	308.2	361.9	505.4	297.7	307.9	894.5
Cash and cash equivalents - restricted	21.5	29.8	25.8	21.1	36.5	21.5	12.0	4.8
Accrued investment income	320.1	316.1	307.4	281.0	304.4	288.4	306.7	298.7
Value of policies inforce at the Effective Date	1,876.8	1,838.9	1,587.3	1,573.6	1,529.5	1,492.8	1,493.7	1,477.8
Cost of policies produced	1,182.2	1,296.7	1,359.4	1,423.0	1,549.4	1,658.7	1,859.0	1,812.6
Reinsurance receivables	786.7	777.0	3,587.4	3,513.0	3,432.9	3,366.6	3,303.9	3,284.8
Income tax assets, net	1,519.1	1,670.2	1,693.8	1,610.2	1,740.5	1,540.6	1,779.6	2,053.7
Assets held in separate accounts	28.7	28.6	28.3	27.4	25.0	24.6	22.0	18.2
Other assets	323.5	357.6	311.9	283.1	337.6	330.2	326.6	277.1
Assets of discontinued operations	3,434.0	3,441.5	3,548.3	3,552.4	3,556.6	3,412.6	3,225.1	0.0
Total assets	33,834.0	33,979.6	36,629.0	33,971.2	33,693.9	33,009.7	32,375.0	28,769.7
<b>Liabilities</b>								
Liabilities for insurance products:								
Interest-sensitive products	13,050.8	13,066.0	13,218.7	13,169.4	13,119.5	13,105.0	13,175.6	13,332.8
Traditional products	9,319.1	9,388.6	9,468.6	9,548.4	9,638.0	9,713.9	9,841.3	9,828.7
Claims payable and other policyholder funds	832.5	830.7	885.0	909.7	926.1	953.2	873.1	1,008.4
Liabilities related to separate accounts	28.7	28.6	28.3	27.4	25.0	24.6	22.0	18.2
Other liabilities	679.2	695.9	566.7	492.3	531.6	478.1	422.8	457.4
Liability for assets to be transferred pursuant to an annuity coinsurance transaction	0.0	0.0	2,564.1	0.0	0.0	0.0	0.0	0.0
Investment borrowings	647.7	868.9	913.7	913.0	848.3	824.2	823.9	767.5
Securities lending payable	593.5	460.6	408.5	409.5	394.0	300.2	290.7	408.8
Notes payable - direct corporate obligations	999.3	1,197.8	1,195.7	1,193.7	1,191.7	1,189.7	1,187.6	1,328.7
Liabilities of discontinued operations	2,983.1	3,086.4	3,094.2	3,071.9	3,080.0	3,038.7	3,034.0	0.0
Total liabilities	29,133.9	29,623.5	32,343.5	29,735.3	29,754.2	29,627.6	29,671.0	27,150.5
<b>Shareholders' equity</b>								
Preferred stock	667.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	1.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Additional paid-in capital	3,449.9	4,121.2	4,089.4	4,068.6	4,070.5	4,073.6	4,076.0	4,076.0
Retained earnings (accumulated deficit)	622.7	562.9	510.2	438.7	432.9	(54.2)	(236.2)	(688.0)
Total shareholders' equity before accumulated other comprehensive loss	4,741.9	4,686.0	4,601.5	4,509.2	4,505.3	4,021.3	3,841.7	3,389.9
Accumulated other comprehensive loss	(41.8)	(329.9)	(316.0)	(273.3)	(565.6)	(639.2)	(1,137.7)	(1,770.7)
Total shareholders' equity	4,700.1	4,356.1	4,285.5	4,235.9	3,939.7	3,382.1	2,704.0	1,619.2
Total liabilities and shareholders' equity	\$33,834.0	\$33,979.6	\$36,629.0	\$33,971.2	\$33,693.9	\$33,009.7	\$32,375.0	\$28,769.7

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Book value per share at period-end (1) (2)	\$27.01	\$24.83	\$24.69	\$24.42	\$24.40	\$21.77	\$20.80	\$18.35
Book value per share assuming conversion of convertible securities (1) (3)	\$25.14	\$24.83	\$24.69	\$24.42	\$24.40	\$21.77	\$20.80	\$18.35

**Conseco, Inc.****Consolidated statement of operations (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Revenues</b>										
Insurance policy income	\$693.5	\$699.9	\$754.7	\$747.6	\$2,895.7	\$785.1	\$830.0	\$821.8	\$816.7	\$3,253.6
Net investment income (loss):										
General account assets	337.1	341.2	350.5	321.7	1,350.5	310.0	311.9	312.8	319.8	1,254.5
Policyholder and reinsurer accounts and other special-purpose portfolios	4.9	42.3	3.2	(31.1)	19.3	(26.0)	(21.6)	(24.3)	(3.8)	(75.7)
Net realized investment losses	(34.7)	(28.2)	(57.3)	(37.8)	(158.0)	(45.6)	(30.5)	(93.3)	(93.0)	(262.4)
Fee revenue and other income	3.8	5.2	8.5	6.3	23.8	4.0	4.9	4.9	5.9	19.7
Total revenues	1,004.6	1,060.4	1,059.6	1,006.7	4,131.3	1,027.5	1,094.7	1,021.9	1,045.6	4,189.7
<b>Benefits and expenses</b>										
Insurance policy benefits	701.4	729.0	778.8	706.7	2,915.9	767.7	815.9	797.0	831.9	3,212.5
Interest expense	23.6	27.9	33.3	32.5	117.3	28.7	22.9	22.5	23.7	97.8
Amortization	111.3	108.6	86.4	120.5	426.8	109.8	101.5	77.6	79.0	367.9
Gain on extinguishment of debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(21.2)	(21.2)
Costs related to a litigation settlement	13.0	35.0	16.4	0.0	64.4	0.0	0.0	0.0	0.0	0.0
Loss related to an annuity coinsurance transaction	0.0	0.0	76.5	0.0	76.5	0.0	0.0	0.0	0.0	0.0
Other operating costs and expenses	129.1	136.9	136.5	137.9	540.4	131.1	136.1	117.0	136.1	520.3
Total benefits and expenses	978.4	1,037.4	1,127.9	997.6	4,141.3	1,037.3	1,076.4	1,014.1	1,049.5	4,177.3
Income (loss) before income taxes and discontinued operations	26.2	23.0	(68.3)	9.1	(10.0)	(9.8)	18.3	7.8	(3.9)	12.4
Income tax expense (benefit) on period income	9.2	7.8	(26.7)	5.7	(4.0)	(3.5)	9.1	2.4	4.5	12.5
Valuation allowance for deferred tax assets	0.0	0.0	0.0	68.0	68.0	0.0	298.0	30.0	75.9	403.9
Income (loss) before discontinued operations	17.0	15.2	(41.6)	(64.6)	(74.0)	(6.3)	(288.8)	(24.6)	(84.3)	(404.0)
Discontinued operations, net of income taxes	(17.5)	(70.4)	(11.1)	(6.9)	(105.9)	0.5	(198.3)	(157.4)	(367.5)	(722.7)
Net income (loss)	(0.5)	(55.2)	(52.7)	(71.5)	(179.9)	(5.8)	(487.1)	(182.0)	(451.8)	(1,126.7)
Preferred stock dividends	9.5	4.6	0.0	0.0	14.1	0.0	0.0	0.0	0.0	0.0
Net loss applicable to common stock	(\$10.0)	(\$59.8)	(\$52.7)	(\$71.5)	(\$194.0)	(\$5.8)	(\$487.1)	(\$182.0)	(\$451.8)	(\$1,126.7)

**Conseco, Inc.****Earnings per share analysis (\$ in millions, except per share amounts)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Income (loss) before net realized investment losses, net of related amortization and income taxes:										
Bankers Life	\$45.5	\$70.5	\$67.5	\$58.3	\$241.8	\$29.1	\$34.6	\$67.8	\$40.0	\$171.5
Colonial Penn	4.6	6.7	7.0	(0.2)	18.1	3.7	8.3	6.5	6.7	25.2
Conseco Insurance Group	27.7	3.7	(67.3)	9.6	(26.3)	23.3	32.3	34.2	31.5	121.3
Corporate operations:										
Interest expense on debt	(16.1)	(16.9)	(20.2)	(19.1)	(72.3)	(16.4)	(13.9)	(13.7)	(15.2)	(59.2)
Gain on extinguishment of debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.2	21.2
Other corporate expenses, net	(14.7)	(25.5)	(5.9)	(2.9)	(49.0)	(6.7)	(16.2)	(3.7)	(0.1)	(26.7)
Net realized investment losses, net of related amortization	(20.8)	(15.5)	(49.4)	(36.6)	(122.3)	(42.8)	(26.8)	(83.3)	(88.0)	(240.9)
Income (loss) before taxes and discontinued operations	26.2	23.0	(68.3)	9.1	(10.0)	(9.8)	18.3	7.8	(3.9)	12.4
Taxes	9.2	7.8	(26.7)	5.7	(4.0)	(3.5)	9.1	2.4	4.5	12.5
Valuation allowance for deferred tax assets	0.0	0.0	0.0	68.0	68.0	0.0	298.0	30.0	75.9	403.9
Income (loss) before discontinued operations	17.0	15.2	(41.6)	(64.6)	(74.0)	(6.3)	(288.8)	(24.6)	(84.3)	(404.0)
Discontinued operations, net of income taxes	(17.5)	(70.4)	(11.1)	(6.9)	(105.9)	0.5	(198.3)	(157.4)	(367.5)	(722.7)
Net loss	(0.5)	(55.2)	(52.7)	(71.5)	(179.9)	(5.8)	(487.1)	(182.0)	(451.8)	(1,126.7)
Less dividends on 5.5% Class B mandatorily convertible preferred stock	9.5	4.6	0.0	0.0	14.1	0.0	0.0	0.0	0.0	0.0
Net loss applicable to common stock	(\$10.0)	(\$59.8)	(\$52.7)	(\$71.5)	(\$194.0)	(\$5.8)	(\$487.1)	(\$182.0)	(\$451.8)	(\$1,126.7)
Diluted earnings (loss) per share										
	(\$0.07)	(\$0.35)	(\$0.28)	(\$0.38)	(\$1.12)	(\$0.03)	(\$2.64)	(\$0.98)	(\$2.45)	(\$6.10)
Net realized investment losses, net of related amortization and taxes, per share (diluted)										
	(\$0.09)	(\$0.06)	(\$0.17)	(\$0.13)	(\$0.46)	(\$0.15)	(\$0.09)	(\$0.45)	(\$0.48)	(\$1.18)
Valuation allowance for deferred tax assets										
	\$0.00	\$0.00	\$0.00	(\$0.37)	(\$0.39)	\$0.00	(\$1.61)	\$0.00	(\$0.24)	(\$1.86)
Discontinued operations										
	(\$0.12)	(\$0.41)	(\$0.06)	(\$0.03)	(\$0.61)	\$0.00	(\$1.08)	(\$0.85)	(\$1.99)	(\$3.91)
Diluted earnings (loss) per share, excluding net realized investment losses, valuation allowance for deferred tax assets and discontinued operations										
	\$0.14	\$0.12	(\$0.05)	\$0.15	\$0.34	\$0.12	\$0.14	\$0.32	\$0.26	\$0.85





**Conseco, Inc.****Computation of weighted average shares outstanding**  
(000s)

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Basic</b>										
Shares outstanding, beginning of period	152,165.1	150,845.2	188,699.3	186,345.5	152,165.1	184,652.0	184,655.5	184,725.9	184,725.9	184,652.0
Weighted average shares issued during the period:										
Shares issued under stock option and restricted stock plans	54.6	18.0	21.1	15.8	241.5	1.4	29.5	0.0	36.5	57.3
Shares withheld for the payment of the exercise price of stock options and taxes	(3.0)	(0.7)	(0.5)	(4.6)	(8.7)	(0.4)	(0.6)	0.0	(10.7)	(5.5)
Shares acquired	(1,280.3)	0.0	(986.6)	(670.1)	(2,494.1)	0.0	0.0	0.0	0.0	0.0
Conversion of preferred stock into common shares	0.0	18,281.4	0.0	0.0	23,475.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(4.9)	0.0	0.0	(5.0)	0.0	0.0	0.0	0.0	0.0
Weighted average basic shares outstanding during the period	150,936.4	169,139.0	187,733.3	185,686.6	173,373.8	184,653.0	184,684.4	184,725.9	184,751.7	184,703.8
Basic shares outstanding, end of period	150,845.2	188,699.3	186,345.5	184,652.0	184,652.0	184,655.5	184,725.9	184,725.9	184,753.8	184,753.8
<b>Diluted</b>										
Weighted average basic shares outstanding	150,936.4	169,139.0	187,733.3	185,686.6	173,373.8	184,653.0	184,684.4	184,725.9	184,751.7	184,703.8
Common stock equivalent shares related to:										
Stock option and restricted stock plans	130.3	262.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Class B mandatorily convertible preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average diluted shares outstanding during the period	151,066.7	169,401.7	187,733.3	185,686.6	173,373.8	184,653.0	184,684.4	184,725.9	184,751.7	184,703.8
Diluted shares outstanding, end of period	188,784.7	188,962.0	186,472.1	184,708.7	184,708.7	184,681.2	184,792.3	184,761.1	184,755.7	184,755.7

**Conseco, Inc.****Bankers Life****Analysis of income before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Insurance policy income	\$412.0	\$424.0	\$473.6	\$470.4	\$1,780.0	\$497.0	\$543.4	\$537.7	\$531.8	\$2,109.9
Net investment income (loss):										
General account invested assets	140.7	142.2	145.8	150.0	578.7	149.4	153.5	155.2	159.0	617.1
Equity-indexed products	(3.0)	11.9	(2.1)	(17.4)	(10.6)	(17.3)	(17.5)	(14.0)	(0.6)	(49.4)
Other special-purpose portfolios	3.2	1.0	0.5	(0.5)	4.2	(2.8)	(0.8)	(2.9)	(3.0)	(9.5)
Net realized investment losses	(5.2)	(1.9)	(1.3)	(11.5)	(19.9)	(19.3)	(12.1)	(48.4)	(36.9)	(116.7)
Fee revenue and other income	1.2	2.7	3.8	4.3	12.0	1.6	2.1	3.1	4.2	11.0
Total revenues	548.9	579.9	620.3	595.3	2,344.4	608.6	668.6	630.7	654.5	2,562.4
Insurance policy benefits	342.6	338.2	404.9	394.9	1,480.6	434.9	497.2	470.3	477.5	1,879.9
Amounts added to policyholder account balances:										
Annuity products and interest-sensitive life products other than equity-indexed products	44.7	45.1	45.9	45.2	180.9	44.2	43.5	43.1	44.9	175.7
Equity-indexed products	2.4	13.5	9.0	(1.7)	23.2	0.6	(6.3)	3.1	37.4	34.8
Amortization related to operations	82.0	69.2	47.8	65.0	264.0	75.0	66.6	53.5	39.7	234.8
Amortization related to net realized investment losses	(0.7)	(0.9)	0.6	(1.5)	(2.5)	(2.5)	(1.9)	(8.0)	(3.4)	(15.8)
Other operating costs and expenses	36.9	45.3	46.5	45.1	173.8	44.1	45.1	41.3	51.9	182.4
Total benefits and expenses	507.9	510.4	554.7	547.0	2,120.0	596.3	644.2	603.3	648.0	2,491.8
Income before income taxes	\$41.0	\$69.5	\$65.6	\$48.3	\$224.4	\$12.3	\$24.4	\$27.4	\$6.5	\$70.6
<b>Supplemental health product underwriting margins (in millions)</b>										
Medicare supplement:										
Earned premium	\$163.1	\$161.4	\$160.4	\$159.5	\$644.4	\$161.4	\$157.8	\$159.9	\$159.9	\$639.0
Benefit ratio	64.6%	67.4%	69.4%	67.6%	67.2%	64.6%	71.3%	72.5%	74.7%	70.8%
Underwriting margin (earned premium less policy benefits)	\$57.8	\$52.6	\$49.1	\$51.6	\$211.1	\$57.1	\$45.4	\$43.9	\$40.3	\$186.7
PDP and PFFS:										
Earned premium	\$37.7	\$47.0	\$96.7	\$90.1	\$271.5	\$118.7	\$171.5	\$165.6	\$153.7	\$609.5
Benefit ratio	93.3%	80.9%	85.4%	83.6%	85.1%	93.9%	95.1%	95.1%	100.8%	96.0%
Underwriting margin (earned premium less policy benefits)	\$2.5	\$8.9	\$14.2	\$14.8	\$40.4	\$7.2	\$10.2	\$8.2	\$(1.2)	\$24.4
Long-term care:										
Earned premium	\$153.3	\$155.2	\$156.4	\$156.3	\$621.2	\$156.2	\$156.3	\$156.2	\$155.6	\$624.3
Benefit ratio before interest income on reserves	102.7%	95.4%	106.5%	103.3%	102.0%	111.6%	114.7%	102.1%	102.2%	107.6%
Interest-adjusted benefit ratio	72.1%	64.6%	75.2%	71.2%	70.8%	79.0%	81.4%	68.1%	67.4%	74.0%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$42.7	\$55.1	\$38.7	\$44.9	\$181.4	\$32.8	\$29.1	\$49.8	\$50.7	\$162.4



**Conseco, Inc.****Bankers Life****Average liabilities for insurance products (in millions) (continued)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Annuities:</b>										
Mortality based	\$283.9	\$286.0	\$287.8	\$268.9	\$281.6	\$250.3	\$253.2	\$254.2	\$253.8	\$252.9
Equity-indexed	657.4	730.0	826.2	936.1	787.4	1,043.6	1,147.1	1,255.8	1,365.7	1,203.0
Deposit based	4,548.3	4,520.9	4,487.6	4,472.7	4,507.4	4,445.9	4,419.8	4,442.8	4,548.8	4,464.3
<b>Health</b>	<b>3,461.7</b>	<b>3,532.4</b>	<b>3,601.0</b>	<b>3,683.7</b>	<b>3,569.7</b>	<b>3,768.1</b>	<b>3,848.8</b>	<b>3,921.2</b>	<b>3,983.8</b>	<b>3,880.5</b>
<b>Life:</b>										
Interest sensitive	355.8	360.7	366.1	374.2	364.2	380.1	382.8	387.5	393.4	385.9
Non-interest sensitive	276.3	292.0	306.7	321.2	299.1	335.9	351.0	365.7	378.3	357.8
Total average liabilities for insurance products, net of reinsurance ceded	\$9,583.4	\$9,722.0	\$9,875.4	\$10,056.8	\$9,809.4	\$10,223.9	\$10,402.7	\$10,627.2	\$10,923.8	\$10,544.4

**Analysis of income before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Value of policies in force at the effective date</b>										
Balance, beginning of period	\$904.9	\$852.8	\$840.2	\$815.5	\$904.9	\$781.6	\$761.7	\$745.3	\$759.6	\$781.6
Amortization related to operations	(46.9)	(33.1)	(20.7)	(30.7)	(131.4)	(36.2)	(29.4)	(16.7)	(19.3)	(101.6)
Amortization related to net realized investment (gains) losses	0.1	0.3	(0.2)	0.3	0.5	0.4	0.3	1.0	0.6	2.3
Cumulative effect of accounting change	(2.6)	0.0	0.0	0.0	(2.6)	0.0	0.0	0.0	0.0	0.0
Adjustment related to unrealized (gain) or loss on actively managed fixed maturities	(2.7)	20.2	(3.8)	(3.5)	10.2	15.9	12.7	30.0	20.8	79.4
Balance, end of period	\$852.8	\$840.2	\$815.5	\$781.6	\$781.6	\$761.7	\$745.3	\$759.6	\$761.7	\$761.7

**Cost of policies produced**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Balance, beginning of period	\$740.5	\$777.0	\$848.1	\$895.2	\$740.5	\$941.6	\$1,025.9	\$1,103.9	\$1,264.3	\$941.6
Deferred acquisition expenses	76.0	69.8	78.9	81.6	306.3	80.5	74.8	85.7	65.2	306.2
Amortization related to operations	(35.1)	(36.1)	(27.1)	(34.3)	(132.6)	(38.8)	(37.2)	(36.8)	(20.4)	(133.2)
Amortization related to net realized investment (gains) losses	0.6	0.6	(0.4)	1.2	2.0	2.1	1.6	7.0	2.8	13.5
Cumulative effect of accounting change	(1.6)	0.0	0.0	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Adjustment related to unrealized (gain) or loss on actively managed fixed maturities	(3.4)	36.8	(4.3)	(2.1)	27.0	40.5	38.8	104.5	(95.7)	88.1
Balance, end of period	\$777.0	\$848.1	\$895.2	\$941.6	\$941.6	\$1,025.9	\$1,103.9	\$1,264.3	\$1,216.2	\$1,216.2

**Conseco, Inc.****Colonial Penn****Analysis of income before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Insurance policy income	\$29.3	\$29.4	\$32.5	\$34.6	\$125.8	\$44.4	\$47.5	\$46.4	\$46.5	\$184.8
<b>Net investment income (loss):</b>										
General account invested assets	9.5	9.4	9.4	9.5	37.8	9.7	10.1	10.1	10.2	40.1
Trading account income related to reinsurer accounts	0.9	(6.4)	2.3	3.0	(0.2)	(0.5)	0.0	0.0	0.0	(0.5)
Change in value of embedded derivatives related to modified coinsurance agreement	(0.9)	6.4	(2.3)	(3.0)	0.2	0.0	0.0	0.0	0.0	0.0
Net realized investment gains (losses)	(0.2)	0.3	0.3	(0.6)	0.2	(0.6)	0.7	(1.5)	(0.2)	(1.6)
Fee revenue and other income	0.2	0.1	0.2	0.2	0.7	0.3	0.5	0.5	0.5	1.8
Total revenues	38.8	39.2	42.4	43.7	164.1	53.3	58.8	55.5	57.0	224.6
<b>Insurance policy benefits</b>	<b>25.6</b>	<b>23.9</b>	<b>26.3</b>	<b>25.2</b>	<b>101.0</b>	<b>35.0</b>	<b>35.5</b>	<b>33.9</b>	<b>33.8</b>	<b>138.2</b>
Amounts added to annuity and interest-sensitive life product account balances	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2
Amortization related to operations	4.8	4.9	5.1	5.5	20.3	7.4	7.4	9.2	8.0	32.0
Other operating costs and expenses	3.7	3.1	3.4	13.5	23.7	7.5	6.6	7.1	8.4	29.6
Total benefits and expenses	34.4	32.2	35.1	44.5	146.2	50.2	49.8	50.5	50.5	201.0
Income (loss) before income taxes	\$4.4	\$7.0	\$7.3	(\$0.8)	\$17.9	\$3.1	\$9.0	\$5.0	\$6.5	\$23.6

**Average liabilities for insurance products (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Annuities - mortality based</b>	<b>\$89.5</b>	<b>\$89.0</b>	<b>\$88.5</b>	<b>\$87.9</b>	<b>\$88.7</b>	<b>\$87.2</b>	<b>\$86.5</b>	<b>\$85.6</b>	<b>\$84.4</b>	<b>\$85.9</b>
<b>Health</b>	<b>23.5</b>	<b>23.0</b>	<b>22.7</b>	<b>22.3</b>	<b>22.9</b>	<b>21.5</b>	<b>20.9</b>	<b>20.5</b>	<b>20.2</b>	<b>20.7</b>
<b>Life:</b>										
Interest sensitive	26.8	26.3	25.5	25.1	25.9	25.0	25.1	25.0	24.7	25.0
Non-interest sensitive	558.7	558.4	558.6	559.7	558.9	561.4	561.9	562.8	565.4	562.9
Total average liabilities for insurance products, net of reinsurance ceded	\$698.5	\$696.7	\$695.3	\$695.0	\$696.4	\$695.1	\$694.4	\$693.9	\$694.7	\$694.5

**Analysis of income before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Value of policies in force at the effective date</b>										
Balance, beginning of period	\$71.7	\$69.4	\$67.2	\$65.2	\$71.7	\$119.4	\$115.5	\$112.1	\$108.7	\$119.4
Effect of reinsurance recapture	0.0	0.0	0.0	56.3	56.3	0.0	0.0	0.0	0.0	0.0
Amortization related to operations	(2.3)	(2.2)	(2.0)	(2.1)	(8.6)	(3.9)	(3.4)	(3.4)	(3.4)	(14.1)
Balance, end of period	\$69.4	\$67.2	\$65.2	\$119.4	\$119.4	\$115.5	\$112.1	\$108.7	\$105.3	\$105.3

**Cost of policies produced**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Balance, beginning of period	\$88.9	\$99.9	\$109.5	\$122.1	\$88.9	\$130.4	\$147.8	\$159.7	\$169.8	\$130.4
Deferred acquisition expenses	13.5	12.3	15.7	11.7	53.2	20.9	15.9	15.9	9.6	62.3
Amortization related to operations	(2.5)	(2.7)	(3.1)	(3.4)	(11.7)	(3.5)	(4.0)	(5.8)	(4.6)	(17.9)
Balance, end of period	\$99.9	\$109.5	\$122.1	\$130.4	\$130.4	\$147.8	\$159.7	\$169.8	\$174.8	\$174.8



**Conseco, Inc.****Conseco Insurance Group****Analysis of income (loss) before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Insurance policy income	\$252.2	\$246.5	\$248.6	\$242.6	\$989.9	\$243.7	\$239.1	\$237.7	\$238.4	\$958.9
Net investment income (loss):										
General account invested assets	185.8	188.9	192.6	160.3	727.6	149.4	147.3	146.4	149.6	592.7
Equity-indexed products	(3.8)	16.9	(2.7)	(11.7)	(1.3)	(10.5)	(10.0)	(6.8)	(1.1)	(28.4)
Trading account income related to policyholder and reinsurer accounts	0.8	(0.5)	2.3	(1.2)	1.4	(4.2)	(0.1)	(8.3)	(5.9)	(18.5)
Change in value of embedded derivatives related to modified coinsurance agreements	(0.3)	2.5	(0.4)	(0.4)	1.4	1.4	1.5	2.7	1.1	6.7
Other trading accounts	(0.9)	1.3	(3.9)	(9.3)	(12.8)	0.0	0.0	0.0	0.0	0.0
Net realized investment losses	(29.3)	(25.4)	(51.6)	(25.4)	(131.7)	(9.1)	(15.2)	(38.8)	(30.2)	(93.3)
Fee revenue and other income	0.3	0.2	0.2	0.3	1.0	0.8	0.5	0.1	0.3	1.7
Total revenues	404.8	430.4	385.1	355.2	1,575.5	371.5	363.1	333.0	352.2	1,419.8
Insurance policy benefits	218.8	221.0	216.0	195.1	850.9	209.1	208.6	203.6	199.6	820.9
Amounts added to policyholder account balances:										
Annuity products and interest-sensitive life products other than equity-indexed products	58.5	58.4	57.0	43.5	217.4	40.5	37.9	38.4	36.8	153.6
Equity-indexed products	8.5	28.6	19.4	4.2	60.7	3.1	(0.8)	4.3	1.6	8.2
Amortization related to operations	38.4	47.2	41.4	51.2	178.2	30.2	31.2	24.9	36.3	122.6
Amortization related to net realized investment losses	(13.2)	(11.8)	(8.5)	0.3	(33.2)	(0.3)	(1.8)	(2.0)	(1.6)	(5.7)
Interest expense on investment borrowings	1.1	4.2	6.2	6.1	17.6	5.8	5.5	5.6	5.5	22.4
Costs related to a litigation settlement	6.5	17.5	8.2	0.0	32.2	0.0	0.0	0.0	0.0	0.0
Loss related to an annuity coinsurance transaction	0.0	0.0	76.5	0.0	76.5	0.0	0.0	0.0	0.0	0.0
Other operating costs and expenses	74.6	75.2	79.3	70.9	300.0	68.6	63.6	60.8	71.1	264.1
Total benefits and expenses	393.2	440.3	495.5	371.3	1,700.3	357.0	344.2	335.6	349.3	1,386.1
Income (loss) before income taxes	\$11.6	\$(8.9)	\$(110.4)	\$(16.1)	\$(124.8)	\$14.5	\$18.9	\$(2.6)	\$2.9	\$33.7

**Supplemental health product underwriting margins (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Medicare supplement:										
Earned premium	\$60.4	\$58.2	\$57.3	\$55.4	\$231.3	\$53.7	\$51.2	\$50.3	\$49.2	\$204.4
Benefit ratio	66.9%	68.9%	68.6%	66.0%	67.6%	65.8%	71.9%	73.0%	62.8%	68.4%
Underwriting margin (earned premium less policy benefits)	\$20.0	\$18.1	\$18.0	\$18.8	\$74.9	\$18.4	\$14.3	\$13.6	\$18.3	\$64.6
Specified disease:										
Earned premium	\$90.0	\$89.9	\$90.2	\$89.0	\$359.1	\$92.0	\$92.0	\$92.4	\$94.0	\$370.4
Benefit ratio before interest income on reserves	75.7%	73.2%	81.9%	80.6%	77.8%	81.7%	80.4%	82.6%	63.8%	77.1%
Interest-adjusted benefit ratio	42.8%	40.4%	49.1%	46.5%	44.7%	48.1%	46.7%	48.5%	30.1%	43.3%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$51.4	\$53.7	\$45.9	\$47.6	\$198.6	\$47.7	\$49.1	\$47.6	\$65.8	\$210.2
Long-term care:										
Earned premium	\$9.5	\$9.4	\$9.2	\$9.6	\$37.7	\$8.8	\$8.7	\$8.6	\$8.5	\$34.6
Benefit ratio before interest income on reserves	120.7%	338.6%	162.2%	150.5%	192.4%	136.4%	133.8%	193.5%	216.9%	169.6%
Interest-adjusted benefit ratio	63.6%	276.1%	86.9%	89.3%	128.5%	66.4%	57.0%	115.2%	137.4%	93.5%
Underwriting margin (earned premium plus interest income on reserves less policy benefits)	\$3.5	\$(16.4)	\$1.2	\$1.0	\$(10.7)	\$3.0	\$3.7	\$(1.3)	\$(3.2)	\$2.2

**Conseco, Inc.****Conseco Insurance Group****Average liabilities for insurance products (in millions) (continued)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Annuities:										
Mortality based	\$234.0	\$230.9	\$229.0	\$227.2	\$230.3	\$223.5	\$221.1	\$219.8	\$218.3	\$220.7
Equity-indexed	1,561.0	1,633.4	1,688.2	858.7	1,435.3	889.9	895.9	893.9	884.4	891.0
Deposit based	2,941.0	2,845.8	2,747.7	816.1	2,337.7	788.4	767.5	741.3	713.0	752.6
Separate accounts	28.8	28.7	28.4	27.8	28.4	26.2	24.8	23.3	20.1	23.6
Health	2,909.1	2,878.1	2,947.0	2,976.4	2,927.5	2,978.0	2,989.6	3,000.4	3,004.5	2,993.1
Life:										
Interest sensitive	3,065.4	3,058.3	3,057.5	3,000.7	3,045.5	2,963.0	2,954.3	2,937.5	2,927.2	2,945.5
Non-interest sensitive	1,358.1	1,346.1	1,386.2	1,430.5	1,380.2	1,420.7	1,402.7	1,381.8	1,369.8	1,393.8
Total average liabilities for insurance products, net of reinsurance ceded	\$12,097.4	\$12,021.3	\$12,084.0	\$9,337.4	\$11,384.9	\$9,289.7	\$9,255.9	\$9,198.0	\$9,137.3	\$9,220.3

**Analysis of income (loss) before taxes (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Value of policies in force at the effective date</b>										
Balance, beginning of period	\$988.2	\$954.6	\$931.5	\$706.6	\$988.2	\$672.6	\$652.3	\$635.4	\$625.4	\$672.6
Additional acquisition expense on inforce policies	0.5	0.0	0.0	1.4	1.9	0.0	0.0	0.0	0.0	0.0
Amortization related to operations	(29.9)	(37.9)	(36.1)	(33.9)	(137.8)	(22.7)	(19.6)	(15.1)	(16.8)	(74.2)
Amortization related to net realized investment (gains) losses	12.1	10.8	8.4	(0.2)	31.1	(0.1)	0.1	0.1	0.2	0.3
Effect of annuity coinsurance transaction	0.0	0.0	(191.2)	0.0	(191.2)	0.0	0.0	0.0	0.0	0.0
Adjustment related to unrealized (gain) or loss on actively managed fixed maturities	(16.3)	4.0	(6.0)	(1.3)	(19.6)	2.5	2.6	5.0	3.2	13.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.2)	(1.2)
Balance, end of period	\$954.6	\$931.5	\$706.6	\$672.6	\$672.6	\$652.3	\$635.4	\$625.4	\$610.8	\$610.8

**Cost of policies produced**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Balance, beginning of period	\$277.3	\$305.3	\$339.1	\$342.1	\$277.3	\$351.0	\$375.7	\$395.1	\$424.9	\$351.0
Deferred acquisition expenses	35.9	36.5	28.9	26.8	128.1	21.9	21.1	20.4	27.2	90.6
Amortization related to operations	(8.5)	(9.3)	(5.3)	(17.3)	(40.4)	(7.5)	(11.6)	(9.8)	(19.5)	(48.4)
Amortization related to net realized investment (gains) losses	1.1	1.0	0.1	(0.1)	2.1	0.4	1.7	1.9	1.4	5.4
Effect of annuity coinsurance transaction	0.0	0.0	(19.3)	0.0	(19.3)	0.0	0.0	0.0	0.0	0.0
Adjustment related to unrealized (gain) or loss on actively managed fixed maturities	(0.5)	5.6	(1.4)	(0.5)	3.2	9.9	8.2	17.3	(12.4)	23.0
Balance, end of period	\$305.3	\$339.1	\$342.1	\$351.0	\$351.0	\$375.7	\$395.1	\$424.9	\$421.6	\$421.6





**Conseco, Inc.  
Bankers Life**

**Premiums collected on insurance products (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Annuities</b>										
Equity-indexed (first-year)	\$85.4	\$91.5	\$128.4	\$132.1	\$437.4	\$132.3	\$132.8	\$150.1	\$107.6	\$522.8
Other fixed (first-year)	126.0	108.1	122.1	89.1	445.3	95.3	127.3	172.3	302.9	697.8
Other fixed (renewal)	0.8	0.9	0.4	0.7	2.8	1.1	1.0	0.7	0.7	3.5
Subtotal - other fixed annuities	126.8	109.0	122.5	89.8	448.1	96.4	128.3	173.0	303.6	701.3
Total annuities	212.2	200.5	250.9	221.9	885.5	228.7	261.1	323.1	411.2	1,224.1
<b>Supplemental health</b>										
Medicare supplement (first-year)	22.2	20.0	19.3	21.0	82.5	19.1	19.4	19.8	23.0	81.3
Medicare supplement (renewal)	144.8	133.8	133.6	141.4	553.6	140.8	131.2	134.0	149.3	555.3
Subtotal - Medicare supplement	167.0	153.8	152.9	162.4	636.1	159.9	150.6	153.8	172.3	636.6
Long-term care (first-year)	11.6	12.2	11.7	11.5	47.0	11.0	10.6	10.8	10.3	42.7
Long-term care (renewal)	146.6	143.2	142.8	142.8	575.4	145.6	144.6	144.0	148.8	583.0
Subtotal - long-term care	158.2	155.4	154.5	154.3	622.4	156.6	155.2	154.8	159.1	625.7
PDP and PFFS (first-year)	16.0	25.9	78.5	86.0	206.4	70.4	116.1	86.2	80.6	353.3
PDP and PFFS (renewal)	22.6	19.0	14.4	15.4	71.4	46.0	46.3	81.2	87.2	260.7
Subtotal - PDP and PFFS	38.6	44.9	92.9	101.4	277.8	116.4	162.4	167.4	167.8	614.0
Other health (first-year)	0.2	0.2	0.3	0.2	0.9	0.4	0.5	0.6	0.6	2.1
Other health (renewal)	2.3	2.3	2.2	2.1	8.9	2.2	2.1	2.1	2.2	8.6
Subtotal - other health	2.5	2.5	2.5	2.3	9.8	2.6	2.6	2.7	2.8	10.7
Total supplemental health	366.3	356.6	402.8	420.4	1,546.1	435.5	470.8	478.7	502.0	1,887.0
<b>Life insurance</b>										
First-year	21.4	25.3	21.2	21.3	89.2	18.5	22.5	19.5	20.2	80.7
Renewal	26.7	26.8	27.9	29.4	110.8	29.5	31.3	32.4	35.5	128.7
Total life insurance	48.1	52.1	49.1	50.7	200.0	48.0	53.8	51.9	55.7	209.4
<b>Collections on insurance products</b>										
Total first-year premium collections on insurance products	282.8	283.2	381.5	361.2	1,308.7	347.0	429.2	459.3	545.2	1,780.7
Total renewal premium collections on insurance products	343.8	326.0	321.3	331.8	1,322.9	365.2	356.5	394.4	423.7	1,539.8
Total collections on insurance products	\$626.6	\$609.2	\$702.8	\$693.0	\$2,631.6	\$712.2	\$785.7	\$853.7	\$968.9	\$3,320.5



**Conseco, Inc.  
Colonial Penn**

**Premiums collected on insurance products (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Life insurance</b>										
First-year	\$6.7	\$7.0	\$7.4	\$7.6	\$28.7	\$8.4	\$8.9	\$8.8	\$8.9	\$35.0
Renewal	20.0	19.0	21.9	24.1	85.0	34.5	34.9	34.8	34.9	139.1
Total life insurance	26.7	26.0	29.3	31.7	113.7	42.9	43.8	43.6	43.8	174.1
<b>Supplemental health (all of which are renewal premiums)</b>										
Medicare supplement	2.3	2.5	2.3	2.3	9.4	2.1	2.1	2.0	1.9	8.1
Other health	0.3	0.2	0.3	0.2	1.0	0.2	0.2	0.2	0.2	0.8
Total supplemental health	2.6	2.7	2.6	2.5	10.4	2.3	2.3	2.2	2.1	8.9
<b>Collections on insurance products</b>										
Total first-year premium collections on insurance products	6.7	7.0	7.4	7.6	28.7	8.4	8.9	8.8	8.9	35.0
Total renewal premium collections on insurance products	22.6	21.7	24.5	26.6	95.4	36.8	37.2	37.0	37.0	148.0
Total collections on insurance products	\$29.3	\$28.7	\$31.9	\$34.2	\$124.1	\$45.2	\$46.1	\$45.8	\$45.9	\$183.0





**Conseco, Inc.****Conseco Insurance Group****Premiums collected on insurance products (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
<b>Annuities</b>										
Equity-indexed (first-year)	\$106.9	\$104.1	\$70.7	\$54.7	\$336.4	\$38.2	\$33.4	\$23.7	\$20.8	\$116.1
Equity-indexed (renewal)	2.1	2.6	2.5	1.0	8.2	1.8	2.1	1.8	1.9	7.6
Subtotal - equity-indexed annuities	109.0	106.7	73.2	55.7	344.6	40.0	35.5	25.5	22.7	123.7
Other fixed (first-year)	9.4	4.2	2.5	1.9	18.0	1.0	1.0	1.4	0.4	3.8
Other fixed (renewal)	1.7	2.1	1.8	0.4	6.0	0.6	0.6	0.5	0.6	2.3
Subtotal - other fixed annuities	11.1	6.3	4.3	2.3	24.0	1.6	1.6	1.9	1.0	6.1
Total annuities	120.1	113.0	77.5	58.0	368.6	41.6	37.1	27.4	23.7	129.8
<b>Supplemental health</b>										
Medicare supplement (first-year)	6.6	5.2	4.2	3.4	19.4	2.8	2.3	2.1	2.4	9.6
Medicare supplement (renewal)	53.2	50.9	50.6	51.8	206.5	50.3	47.3	46.4	50.2	194.2
Subtotal - Medicare supplement	59.8	56.1	54.8	55.2	225.9	53.1	49.6	48.5	52.6	203.8
Specified disease (first-year)	7.3	7.7	7.7	8.7	31.4	9.4	9.8	9.7	10.5	39.4
Specified disease (renewal)	84.8	81.4	81.0	80.6	327.8	84.8	82.7	82.6	85.1	335.2
Subtotal - specified disease	92.1	89.1	88.7	89.3	359.2	94.2	92.5	92.3	95.6	374.6
Long-term care (all of which are renewal)	10.0	9.2	8.8	8.7	36.7	8.8	8.8	8.1	8.0	33.7
Other health (first-year)	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.1	0.0	0.1
Other health (renewal)	2.9	2.8	2.6	3.0	11.3	2.4	2.3	2.5	2.4	9.6
Subtotal - other health	2.9	2.8	2.6	3.3	11.6	2.4	2.3	2.6	2.4	9.7
Total supplemental health	164.8	157.2	154.9	156.5	633.4	158.5	153.2	151.5	158.6	621.8
<b>Life insurance</b>										
First-year	1.2	1.1	1.3	1.1	4.7	0.7	1.2	2.0	0.4	4.3
Renewal	76.0	68.9	70.0	67.7	282.6	71.2	65.7	65.8	62.8	265.5
Total life insurance	77.2	70.0	71.3	68.8	287.3	71.9	66.9	67.8	63.2	269.8
<b>Collections on insurance products</b>										
Total first-year premium collections on insurance products	131.4	122.3	86.4	70.1	410.2	52.1	47.7	39.0	34.5	173.3
Total renewal premium collections on insurance products	230.7	217.9	217.3	213.2	879.1	219.9	209.5	207.7	211.0	848.1
Total collections on insurance products	\$362.1	\$340.2	\$303.7	\$283.3	\$1,289.3	\$272.0	\$257.2	\$246.7	\$245.5	\$1,021.4

**Conseco, Inc.****Statutory information - consolidated basis (4) (in millions)**

	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
Net gain (loss) from operations before interest expense, costs related to a litigation settlement and federal income taxes	\$18.0	(\$47.9)	\$7.0	(\$111.4)	(\$134.3)	\$12.8	\$20.8	\$69.8	\$60.0	\$163.4
Interest expense on surplus debentures held by parent company	17.3	17.5	17.6	17.5	69.9	16.3	12.4	12.8	14.9	56.4
Net gain (loss) from operations before costs related to a litigation settlement and federal income taxes	0.7	(65.4)	(10.6)	(128.9)	(204.2)	(3.5)	8.4	57.0	45.1	107.0
Costs related to a litigation settlement	9.5	37.6	29.5	(14.9)	61.7	0.0	0.0	0.0	0.0	0.0
Net gain (loss) from operations before federal income taxes	(8.8)	(103.0)	(40.1)	(114.0)	(265.9)	(3.5)	8.4	57.0	45.1	107.0
Federal income tax expense (benefit)	(5.1)	(0.8)	25.7	(2.9)	16.9	(1.3)	1.4	(0.2)	(13.1)	(13.2)
Net gain (loss) from operations before net realized capital gains (losses)	(3.7)	(102.2)	(65.8)	(111.1)	(282.8)	(2.2)	7.0	57.2	58.2	120.2
Net realized capital gains (losses)	3.3	4.4	(18.3)	(27.9)	(38.5)	(7.2)	(21.1)	(87.5)	(101.3)	(217.1)
Net income (loss)	(\$0.4)	(\$97.8)	(\$84.1)	(\$139.0)	(\$321.3)	(\$9.4)	(\$14.1)	(\$30.3)	(\$43.1)	(\$96.9)
<b>Capital and surplus</b>										
Capital and surplus	\$1,558.3	\$1,571.2	\$1,486.3	\$1,336.2	\$1,336.2	\$1,326.6	\$1,310.2	\$1,330.8	\$1,311.5	\$1,311.5
Asset valuation reserve (AVR)	186.8	189.7	176.4	161.3	161.3	162.2	155.7	99.3	55.0	55.0
Capital, surplus and AVR	1,745.1	1,760.9	1,662.7	1,497.5	1,497.5	1,488.8	1,465.9	1,430.1	1,366.5	1,366.5
Interest maintenance reserve (IMR)	249.5	253.9	211.7	196.7	196.7	208.5	194.9	179.1	147.7	147.7
Total statutory capital, surplus, AVR & IMR	\$1,994.6	\$2,014.8	\$1,874.4	\$1,694.2	\$1,694.2	\$1,697.3	\$1,660.8	\$1,609.2	\$1,514.2	\$1,514.2





**Notes**

(1) Excludes accumulated other comprehensive loss.

(2) Shareholders' equity (excluding preferred stock) divided by common shares outstanding.

(3) Assumes conversion of all convertible securities.

(4) Based on statutory accounting practices prescribed or permitted by regulatory authorities for Consec's insurance subsidiaries after appropriate elimination of intercompany accounts among such subsidiaries. Such accounting practices differ from GAAP.