CNO FINANCIAL GROUP, INC.

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 5, 2007

CONSECO, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-31792	75-3108137
(State or other jurisdiction of organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

11825 North Pennsylvania Street Carmel, Indiana	46032
(Address of principal executive offices)	(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 7.01. Regulation FD Disclosure.

On September 5, 2007, Conseco, Inc. (the "Company") issued additional information related to its long-term care business. A copy of this information is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained under Item 7.01 in this Current Report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for 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 material is furnished as an exhibit to this Current Report on Form 8-K:

99.1 Additional information related to the Company's long-term care business.

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.

September 5, 2007

By: /s/ John R. Kline

John R. Kline
Senior Vice President and
Chief Accounting Officer

A Primer on Conseco's Long-term Care Business
August 2007

A refresher on the typical features of long-term care policies

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- Provide benefits for either care provided in a long-term care facility or care received in one's home ("home health care") or both during the contract term.
- Premiums are generally determined based on the age of the insured at issuance and are not scheduled to increase as insured ages.
- Cannot be canceled, but are subject to certain conditions (regulatory approval and adverse morbidity experience), premium rates may be increased (guaranteed renewable).
- Provide benefits while the insured is confined in a nursing home, assisted living facility, (but not a hospital) or receiving home health care services or both.
- Policies that include coverage for long-term care facilities provide benefits for confinement to licensed nursing facilities, and in some cases, assisted living facilities.
- May be subject to a waiting period (such as 90 days) and a limit of covered benefits (for a specified period, such as 2 years, or amount, such as $200,000).

Some more details on benefits provided under these policies

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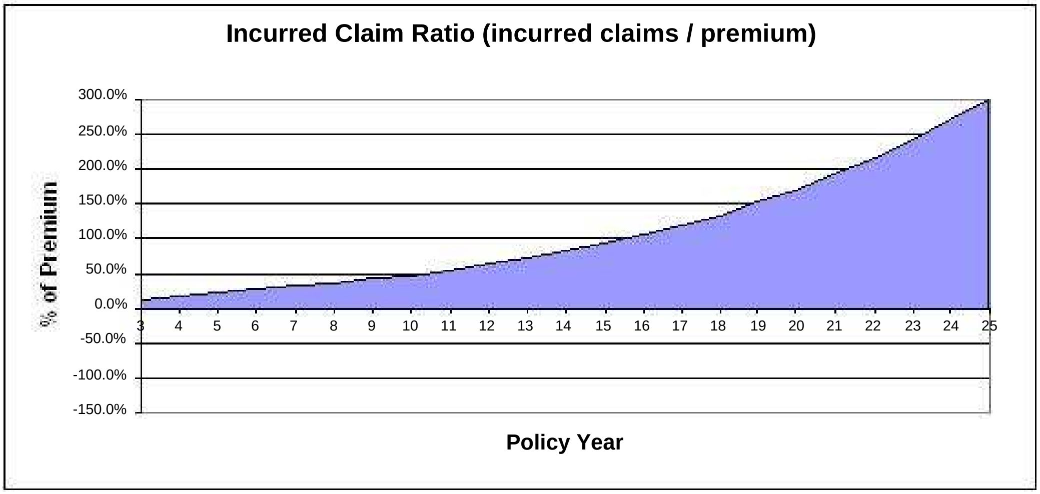
- Eligibility for benefits generally require that the insured need assistance with at least two activities of daily living or have cognitive impairment that makes it unsafe for the insured to live unsupervised. Alternatively, eligibility under many older policies may be based on a physician's determination that care is medically necessary.
- Benefits are generally paid on an expensed-incurred basis, subject to a daily maximum.
- Benefits are paid for as long as insured remains eligible, or until the policy's maximum period or dollar amount has been exhausted.
- Most policies include a waiver of premium benefits that waive the premium payable for the duration of the claim once the insured has received benefits.
- Many policies include restoration of benefit feature that permit benefits of the policy to be replenished after the insured has recovered and has been independent for a specified period of time.
- Some policies include an inflation feature, purchased as a rider to the base policy, which is intended to allow the benefit amounts purchased to keep pace with the rising cost of care.

The life cycle of a block of long-term care business

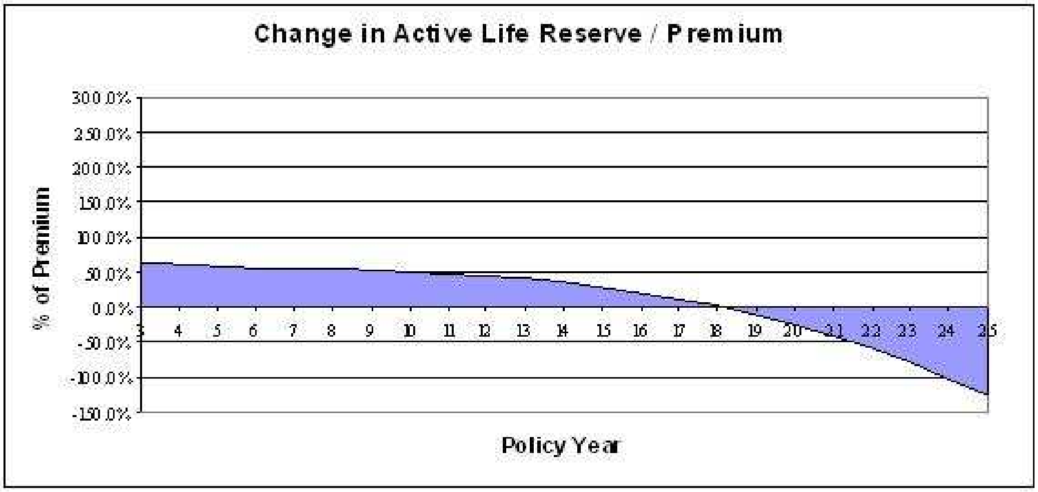
- Premiums are recognized as revenue when due.
- Incurred claims are expected to be small in the early policy years and grow as policies age.
- A substantial part of premiums collected are required to fund benefits payable in future periods and become part of the active life reserves.
- Active life reserves essentially hold back a portion of premiums that would otherwise be reported as profits.
- Active life reserves grow over the early years of a block of policies, when morbidity is low; and are released in the later years when morbidity is high.
- The interest income earned on the assets supporting the reserves is an important factor in measuring the profitability of long duration products.
- If the assumptions used to determine active life reserves are correct, the increase in claim cost will be offset by a comparable reduction in active life reserves plus investment income on the reserves.

Long-term care business life cycle - Incurred claim ratios



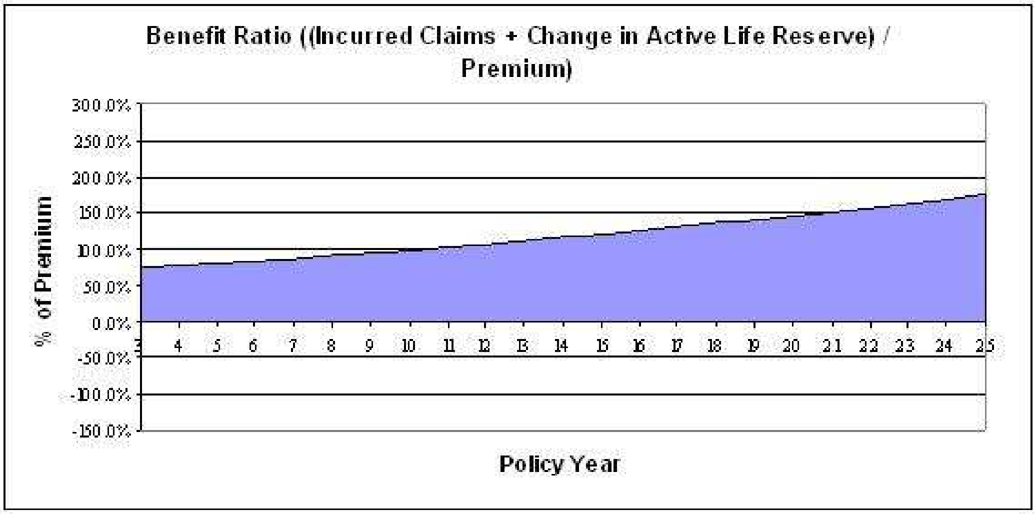
- Incurred claims are very low in the early years of a policy.
- As the policies age, the incurred claims ratio will increase, eventually exceeding 100%.

Long-term care business life cycle - Change in active life reserve



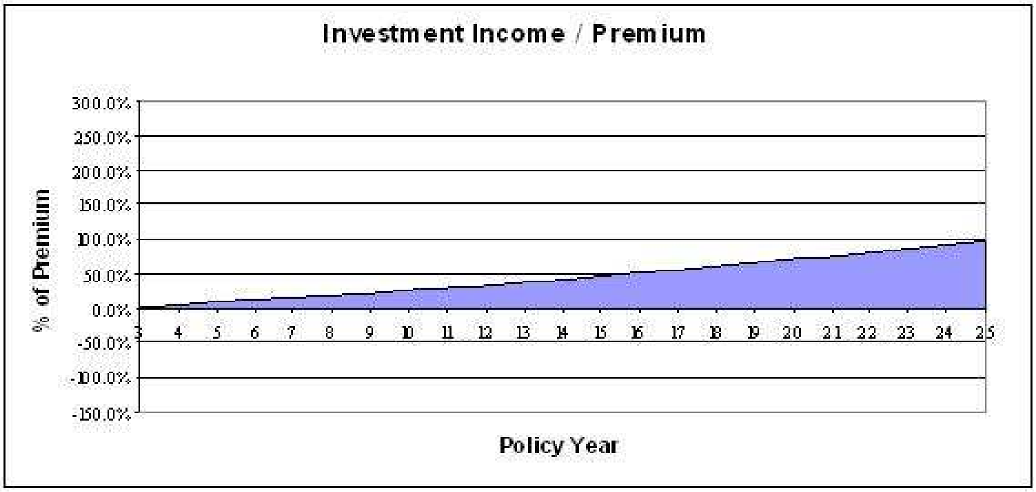
- A substantial part of the premium collected in early years is held back as active life reserves to fund the claims that will be incurred in the future.
- Eventually, active life reserves begin to be released (year 18 in this example). Such release will offset a portion of the claims incurred as shown in the next slide.

Long-term care business life cycle - Total benefits incurred



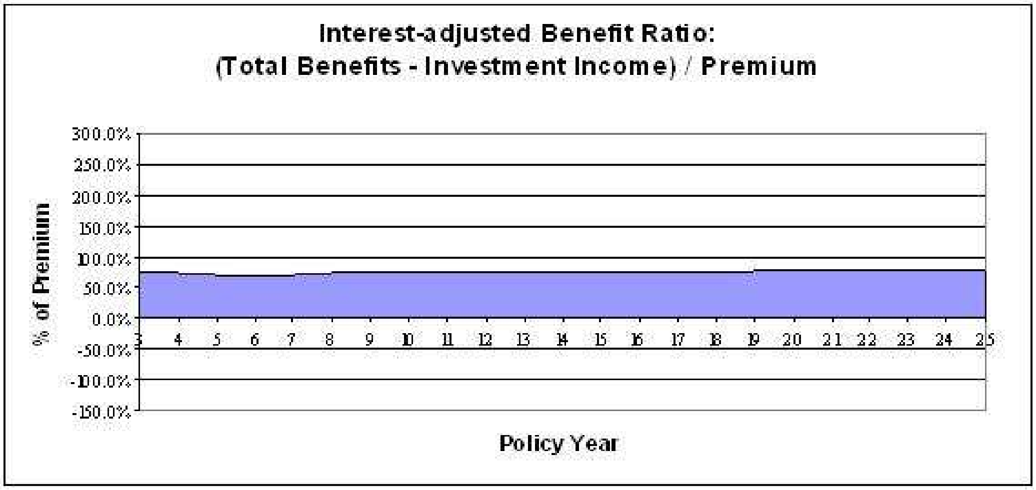
- When incurred claims and the change in active life reserves are combined, the increase over time is less severe.
- However, the benefit ratio will increase over time, eventually exceeding 100%.
- This increase is substantially offset by investment income, as shown in the next slide.

Long-term care business life cycle - Investment income



- Investment income is earned on the assets supporting the reserves.
- Such income becomes an increasingly important component of revenue over time.

Long-term care business life cycle - Interest-adjusted benefit ratio



- The interest-adjusted benefit ratio, which includes the change in active life reserves and investment income, is expected to be level over time.

Long-term care policies are subject to changing experience

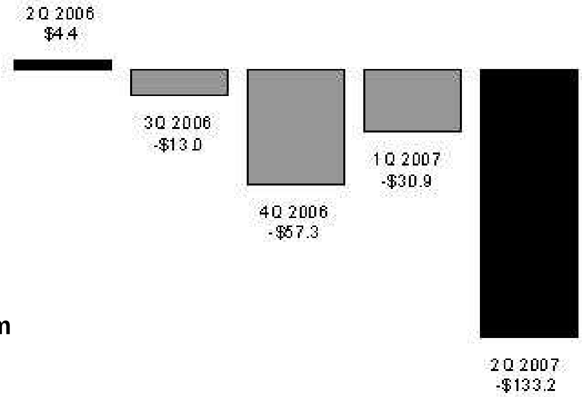
- Benefits are expected to increase over time with the aging of the insured, and actual profitability is sensitive to experience relating to several assumptions made in pricing. Our business, along with other blocks in the industry, has experienced unfavorable development related to some of the following assumptions:
  - Incidence of claim – In some cases, more policyholders have received benefits than assumed in pricing, in part due to people living longer.
  - Duration of claim – In some cases, benefits are being provided for longer periods of time than assumed in pricing, often because policyholders are living longer while receiving care.
  - Persistency – In some cases, policyholders are not allowing their policies to lapse as frequently as assumed in pricing. This results in higher than expected claims in later policy years.
  - Medical inflation – the cost of care has risen faster than expected.
- As experience deteriorates, original expected profit margins decrease.
- Rate increases are necessary to return the business to profitability (or in some cases, break even).
- This change in experience has most materially affected the performance of the Other Business in Run-off segment, as shown in the next slide.
- Change in interest rates can also have an impact on earnings. However, interest rate changes have not been a significant factor for our block in recent periods.

Other Business in Run-off – Segment Performance

($ millions)

- **The recent experience from this block reflects significant increases to reserves related to prior period claim development.**
- **For example, the experience in 2Q2007 reflects $118 million of increases to prior-period incurred claim estimates.**
  - **Such amount includes $110 million of strengthening adjustments to claim reserve methods and assumptions.**
- **The next several slides will summarize how long-term care reserves are determined.**

Pre-Tax Operating Income



PTOI-Trailing 4 Quarters:	$62.7	$33.3	($41.9)	($96.8)	($234.4)
Revenues-Quarterly:	$126.8	$128.1	$127.9	$126.6	$125.8
Revenues -Tr. 4 Quarters:	$528.1	$519.6	$516.5	$509.4	$508.4
Collected Premiums-Quarterly:	$82.4	$80.4	$76.6	$81.2	$76.2

A refresher on how long-term care reserves are determined

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- There are two components of policyholder liabilities.
  - Active life reserves – reserve for future policyholder benefits not yet incurred (calculated as the present value of future benefits less future net premiums).
  - Claim reserves – liability for all future payments for any claim incurred as of the valuation date, as well as payments due on valuation date (calculated as the present value of future payments on known claims, plus a provision for amounts due, plus a provision for unknown claims, referred to as incurred but not reported claims or "IBNR").

Other Business in Run-off – Balance Sheet Detail

($ millions)

Insurance Liabilities and Intangible Assets, Net of Reinsurance

	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007
Active Life Reserve	**$2,413.3**	**$2,413.6**	**$2,412.7**	**$2,412.3**	**$2,409.1**
Claim Reserve	**731.4**	**734.8**	**801.2**	**816.5**	**940.4**
Insurance Acquisition Costs	**(181.8)**	**(176.2)**	**(170.9)**	**(165.2)**	**(159.5)**
Net Liability	**$2,962.9**	**$2,972.2**	**$3,043.0**	**$3,063.6**	**$3,190.0**
Percent Change	**-**	**0.3%**	**2.4%**	**0.7%**	**4.1%**

- **Active life reserves account for the largest component of total reserves, but have not been responsible for the recent volatility**
- **Reserve increases in the last four quarters have related to claim reserves**
  - 2Q2007 claim reserve reflects expectation of continued adverse claim development
  - The claim reserve increase in 2Q2007 reflects $110 million of strengthening adjustments to claim reserve methods and assumptions
- **Insurance acquisition cost balance is 5% of net liability and is declining rapidly**
  - Balance remains recoverable under best estimate assumptions

Active life reserves

- These reserves are calculated utilizing assumptions estimated in the year a policy is issued (or for business in force as of August 31, 2003, (the "fresh-start date") the assumptions developed on that date).
    - Assumptions include estimates for persistency, claim costs, morbidity, interest rates, expenses and premium rate increases.
- Once these assumptions are established, we are required under SFAS 60 to continue to use them unless our assessment of premium adequacy indicates that future premiums are not adequate to cover future benefits and expenses; or when our premium rate increases exceed original assumptions.
- Our assessment of premium adequacy is based on our most recent assumptions for persistency, morbidity, interest rates, expenses and premium rate increases, all or any of which may be different than the assumptions utilized in establishing our active life reserves. If premiums plus net liabilities (active life reserves plus claim reserves less insurance intangibles) were determined to be inadequate to fund future benefits and expenses, we would be required to write off all or a portion of our insurance acquisition costs.
- When premium rate increases exceed original assumptions, reserve assumptions are updated using a prospective method whereby the impact is graded in over time.

Claim reserves

- These reserves are for benefits to be paid in the future for our current claims (both reported and incurred but not reported claims). These reserves are determined using assumptions based on our current best estimate.

- The significant assumptions utilized in establishing claim reserves include expectations about the duration, cost of care being reimbursed, the interest rate utilized to discount the claim reserves, claims that have been incurred but not yet reported, claims that have been closed but are expected to reopen and assumptions about which claims that are currently in their eligibility review stage will eventually become claims that have payments associated with them.

- We review "verified claim reserves" to determine the accuracy of past estimates, as described on the following page.

Validation of claims incurred during a period

- Verified basis normalizes all periods for the impact of claim reserve deficiencies.
  - Expected incurred losses are paid out over subsequent periods.
  - At each reporting date, the incurred claims estimate for a particular period is restated or "verified" as the total payments to date plus the current estimate of the claim reserve for future payments (for claims incurred in that period).

Other Business in Run-off – Verified Incurred Development

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		Reporting Periods					Developed Deficiencies in Periods Prior to
		2Q07	1Q07	2006	2005	2004	2003
Total Closed Block LTC							
Reported Claims		221.5	119.7	433.4	396.0	370.8	
Prior Period Development		(108.5)	(34.9)	(71.9)	(58.7)	(44.1)	
Verified Claims as of Reporting Date		113.0	84.8	361.5	337.3	326.7	
		Verified Claims					
Developed through:							
	12/31/2004					326.7	44.1
	12/31/2005				337.3	326.1	103.5
	12/31/2006			361.5	365.0	337.6	136.1
	3/31/2007		84.8	375.5	368.8	344.1	146.7
	6/30/2007	113.0	104.2	418.1	388.9	356.2	160.9

The experience related to the run-off block has been very volatile. Most of this business was written by certain subsidiaries prior to their acquisition by Conseco in 1996 and 1997.

Bankers Life long-term care block – Verified Incurred Development

		Reporting Periods				Developed Deficiencies in Periods Prior to
	2Q07	1Q07	2006	2005	2004	2003
Total Bankers Life Block LTC						
Reported Claims	108.0	104.2	398.3	341.2	294.1	
Prior Period Development	-	3.3	(0.5)	(4.3)	(1.0)	
Verified Claims as of Reporting Date	108.0	107.5	397.8	336.9	293.1	
			Verified Claims			
Developed through:						
12/31/2004					293.1	1.0
12/31/2005				336.9	296.6	1.8
12/31/2006			397.8	334.0	295.3	6.5
3/31/2007		107.5	394.8	333.0	295.8	6.7
6/30/2007	108.0	107.7	389.7	334.9	297.5	8.0

The experience related to the Banker Life long-term care block has not been as volatile as the run-off block. This business was written through our career agency distribution channel.

Other Business in Run-off – 2Q 2007 Earnings

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($ millions)	2Q 2006	2Q 2007 As Reported	2Q 2007 Verified Basis
Insurance policy income	$ 82.1	$ 78.1	$ 78.1
Net investment income	44.6	47.6	47.6
Fee revenue and other income	0.1	0.1	0.1
Total revenues	126.8	125.8	125.8
Insurance policy benefits	96.9	231.6	113.3
Amortization related to operations	3.5	5.8	5.8
Other operating costs and expenses	22.0	21.6	21.6
Total benefits and expenses	122.4	259.0	140.7
Income (loss) before net realized investment gains (losses) and income taxes	$ 4.4	$ (133.2)	$ (14.9)

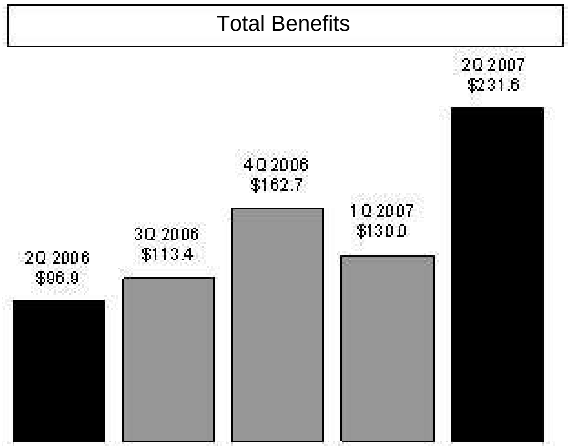
Our 2Q2007 reported earnings were affected by prior period claim reserve development.

Verified basis earnings normalizes the impact of prior period deficiencies.

Other Business in Run-off – Benefit Detail

($ millions)

- **Incurred claims in all periods reflect volatility due to development of out-of-period incurred claim estimates**
  - Includes reserve strengthening adjustments of $110 million in 2Q 2007
- **Increase (decrease) in active life reserves varies with persistency; 2Q 2006 included $9.4 million release of redundant reserves**

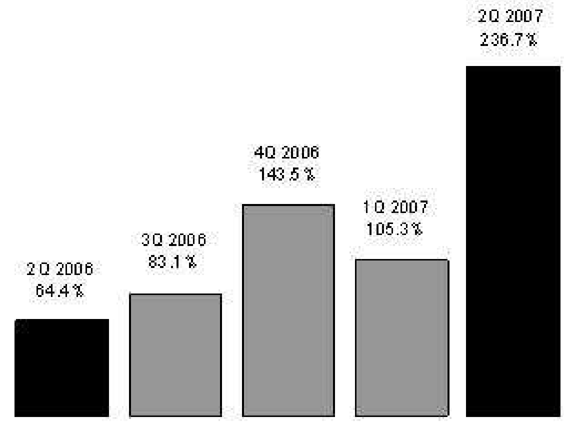


Incurred Claims	$117.3	$113.5	$164.0	$126.7	$234.9
Increase (decrease) in Active Life Reserve	$(20.4)	$(0.1)	$(1.3)	$3.3	$(3.3)
Verified Basis Incurred Claims	$116.5	$119.6	$124.5	$114.4	$116.6

Total benefits equal incurred claims plus increase in reserve for future benefits. Verified basis incurred claims adjust all periods for claim reserve redundancies and deficiencies.

Other Business in Run-off – Interest-Adjusted Benefit Ratio *

- **Verified basis normalizes all periods for impact of claim reserve deficiencies**
  - **Prior period deficiencies increased benefit ratio by 152 percentage points in 2Q 2007**
- **2Q 2006 benefit reserve adjustment reduced benefit ratio by 11 percentage points**



Trailing 4 Quarter Avg.:	52.1%	60.1%	83.2%	99.0%	141.0%
Qtrly. non-int. adjusted:	118.0%	136.0%	198.2%	163.5%	296.7%
Qtrly. Verified Basis non-int. adjusted:	116.9%	143.5%	147.6%	148.1%	145.1%

*We calculate interest-adjusted benefit ratios by dividing insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income.

Other Business in Run-off –
Claim Counts and Claims Paid

Claimant count estimates remain around 12,000 with paid claims near $100m (before inventory adjustments)

	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Claims Paid	$ 95.4	$ 107.4	$ 83.1	$ 90.4	$ 101.2	$ 96.1	$ 81.6	$ 102.0	$ 96.8
Claimant Counts	12,240	12,449	12,290	11,805	12,536	12,288	12,048	11,870	12,424

Other Business in Run-off – LTC Persistency

	3Q 05	4Q 05	1Q 06	2Q 06	3Q 06	4Q 06	1Q 07	2Q 07
Policy counts	202,804	201,649	197,585	194,080	190,134	187,123	183,655	179,952
Annualized termination rates	10.7%	2.3%	7.8%	6.9%	7.9%	6.2%	7.2%	7.8%

Our termination rates have exceeded expectations in recent periods due to rate increases. However, we expect lower termination rates in future periods due to the large level of non-forfeiture elections that will be applicable.