

CNO FINANCIAL GROUP, INC.

FORM 8-K (Current report filing)

Filed 03/02/09 for the Period Ending 12/31/08

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|-------------|---|
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| Telephone | 3178176100 |
| CIK | 0001224608 |
| Symbol | CNO |
| SIC Code | 6321 - Accident and Health Insurance |
| Industry | Insurance (Life) |
| Sector | Financial |
| Fiscal Year | 12/31 |

**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): March 2, 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 2, 2009, Consecro Inc. (the "Company") issued a press release announcing: (i) plans to delay the filing of its Annual Report on Form 10-K until on or before March 17, 2009; and (ii) preliminary financial results 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. Additional financial information related to the Company's financial and operating results for the quarter ended December 31, 2008, is also attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) 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 Press release dated March 2, 2009 related to preliminary financial results for the quarter and year ended December 31, 2008.

99.2 Preliminary Fourth Quarter 2008 Financial and Operating Results for the period ended December 31, 2008.

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 2, 2009

By: */s/ John R. Kline*

John R. Kline
Senior Vice President and
Chief Accounting Officer

NEWS

For Release Immediate

Contacts (News Media) Tony Zehnder, Corporate Communications 312.396.7086 (Investors) Scott Galovic, Investor Relations 317.817.3228

Conseco plans delayed 10-K filing; announces preliminary results

Carmel, Ind. March 2, 2009 - Conseco, Inc. (NYSE: CNO) announced today that it plans to delay the filing of its Annual Report on Form 10-K until on or before March 17, 2009. Conseco said it needs additional time to finalize the analysis and disclosure related to its investment portfolio in light of unprecedented market conditions. The Company has been informed by its independent registered public accounting firm that without additional information and analysis to satisfy the auditors' concerns regarding the Company's liquidity and debt covenant margins (primarily those that could be impacted by a significant amount of additional realized losses in the Company's investment portfolio), their audit opinion will include an explanatory paragraph regarding the Company's ability to continue as a going concern.

If, after considering the additional information to be provided by the Company, it is concluded that there is substantial doubt as to the Company's ability to continue as a going concern, the auditors' report on the consolidated financial statements for the year ended December 31, 2008 will include an explanatory paragraph to that effect. The inclusion of such a paragraph, unless waived by the lenders, would be a default under Conseco's senior credit facility.

Conseco also indicated that it expects its final, audited financial statements to show compliance, as of December 31, 2008, with all other covenants in its credit agreement including those relating to insurance subsidiary capital, the combined risk-based capital ratio of its insurance subsidiaries, the Company's debt to capital ratio and the Company's interest coverage ratio.

All financial results described in this press release should be considered preliminary and are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and files its Annual Report on Form 10-K for the year ended December 31, 2008.

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Preliminary Fourth Quarter and Year-End Results

Conseco CEO Jim Prieur said, "Our core insurance businesses continued to produce significant operating earnings and substantial cash flow in the fourth quarter, and new business growth, up 16% over the prior year's fourth quarter, continues to be impressive."

Preliminary Fourth Quarter 2008 results:

- o Total New Annualized Premium ("NAP") (1): \$101.6 million, up 16% from 4Q07 (\$100.7 million, excluding Private-Fee-For-Service ("PFFS"), up 12 percent from 4Q07)
- o Income before net realized investment losses, discontinued operations resulting from the transfer of Senior Health Insurance Company of Pennsylvania ("Senior Health," formerly known as Conseco Senior Health Insurance Company prior to its name change in October 2008) (the "Transfer") to an independent trust, corporate interest and taxes ("EBIT") (2): \$78.1 million, compared to \$64.8 million in 4Q07
- o Net operating income before valuation allowance for deferred tax assets (3): \$48.7 million, compared to \$27.2 million in 4Q07
- o Net operating income before valuation allowance for deferred tax assets per diluted share: 26 cents, compared to 15 cents in 4Q07
- o Net loss applicable to common stock: \$406.8 million, compared to \$71.5 million in 4Q07 (including \$455.5 million of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in 4Q08 vs. \$98.7 million of such losses in 4Q07)
- o Net loss per diluted share: \$2.20 compared to 38 cents in 4Q07 (including \$2.46 of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in 4Q08 vs. 53 cents of such losses in 4Q07)

Preliminary Full Year 2008 results:

- o NAP (1): \$432.6 million, up 4% from 2007 (\$369.8 million, excluding PFFS, up 6 percent from 2007)
- o EBIT (2): \$291.3 million, compared to \$184.6 million in 2007 (including \$64.4 million related to a litigation settlement and \$76.5 million related to an annuity coinsurance transaction in 2007)
- o Net operating income before valuation allowance for deferred tax assets (3): \$156.4 million, compared to \$73.5 million in 2007
- o Net operating income before valuation allowance for deferred tax assets per diluted share: 85 cents compared to 34 cents in 2007
- o Net loss applicable to common stock: \$1,081.7 million, compared to \$194.0 million in 2007 (including \$1,238.1 million of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations 2008 vs. \$253.4 million of such losses in 2007)
- o Net loss per diluted share: \$5.86, compared to \$1.12 in 2007 (including \$6.71 of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in 2008 vs. \$1.46 of such losses in 2007)

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Preliminary Financial Strength at December 31, 2008:

- o Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$18.59, compared to \$24.42 at December 31, 2007
- o Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$18.59, compared to \$24.41 at December 31, 2007
- o Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 27.9%, compared to 20.9% at December 31, 2007

Preliminary Operating Results

Results by segment for the quarter were as follows (\$ in millions, except per share data):

| | Three Months Ended December 31, | |
|--|------------------------------------|----------|
| | 2008 | 2007 |
| | ----- | ----- |
| EBIT (2): | | |
| Bankers Life..... | \$ 40.0 | \$ 58.3 |
| Colonial Penn..... | 6.7 | (.2) |
| Conseco Insurance Group..... | 31.5 | 9.6 |
| Corporate Operations, excluding corporate interest expense..... | (.1) | (2.9) |
| | ----- | ----- |
| EBIT..... | 78.1 | 64.8 |
| Corporate interest expense..... | (15.2) | (19.1) |
| Gain on extinguishment of debt..... | 21.2 | - |
| | ----- | ----- |
| Income before net realized investment losses, taxes and discontinued operations..... | 84.1 | 45.7 |
| Tax expense on period income..... | 35.4 | 18.5 |
| | ----- | ----- |
| Income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations..... | 48.7 | 27.2 |
| Net realized investment losses (excluding the increase in unrealized losses on those investments transferred to an independent trust and net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses)..... | (88.0) (5) | (23.8) |
| | ----- | ----- |
| Net income (loss) applicable to common stock before valuation allowance for deferred tax assets and discontinued operations..... | (39.3) | 3.4 |
| Valuation allowance for deferred tax assets (excluding the establishment of a valuation allowance for realized investment losses and discontinued operations)..... | - | (68.0) |
| Discontinued operations..... | (367.5) | (6.9) |
| | ----- | ----- |
| Net loss applicable to common stock..... | \$(406.8) | \$(71.5) |
| | ===== | ===== |
| Per diluted share: | | |
| Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations..... | \$.26 | \$.15 |
| Net realized investment losses, net of related amortization and taxes..... | (.47) | (.13) |
| Valuation allowance for deferred tax assets..... | - | (.37) |
| Discontinued operations..... | (1.99) | (.03) |
| | ----- | ----- |
| Net loss applicable to common stock..... | \$ (2.20) | \$ (.38) |
| | ===== | ===== |

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In our Bankers Life segment, pre-tax operating earnings were \$40.0 million in the fourth quarter of 2008, compared to \$58.3 million in the fourth quarter of 2007. Results for the fourth quarter of 2008 were primarily affected by lower than expected margins from the PDP and PFFS business assumed through our quota-share agreements with Coventry, and to a lesser extent, the Medicare supplement block.

In our Colonial Penn segment, the pre-tax operating earnings were \$6.7 million in the fourth quarter of 2008, compared to a pre-tax loss of \$(.2) million in the fourth quarter of 2007. Results in this segment were negatively impacted by \$8.4 million of expenses in the fourth quarter of 2007 related to the introduction of Medicare Advantage products.

In our Conseco Insurance Group segment, pre-tax operating earnings were \$31.5 million in the fourth quarter of 2008, compared to \$9.6 million in the fourth quarter of 2007. Significant factors affecting the segment's earnings in these periods included:

- o Improved earnings from our specified disease block resulting from a \$12 million correction discovered through material control weakness remediation procedures and \$5 million from improved margins.

- o During the fourth quarter of 2007, we recognized additional amortization expense of \$14.8 million to reflect changes in our estimates of future mortality rates on our universal life business, net of planned increases to associated policyholder charges.

The Corporate Operations segment includes our investment advisory subsidiary and corporate expenses.

Net realized investment losses in the fourth quarter of 2008 of \$88.0 million (net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses) include \$44.8 million of other-than-temporary impairment losses. Such net realized investment losses include a deferred tax valuation allowance of \$30.9 million, as it is more likely than not that tax benefits related to investment losses recognized in the fourth quarter of 2008 will not be utilized to offset future taxable income.

Based on our evaluation of the recovery of deferred tax assets, we determined the need to increase the valuation allowance by \$350.0 million in the fourth quarter of 2008, of which \$319.1 million related to discontinued operations and \$30.9 million related to tax benefits associated with investment losses that will not be utilized to offset future taxable income. We increased the deferred tax valuation allowance by \$68 million in the fourth quarter of 2007.

In the fourth quarter of 2008, as previously announced, the Company completed the transfer of Senior Health to an independent trust. As a result of the transfer, the operating results of the long-term care business that was transferred as well as other transaction charges are classified as discontinued operations.

In 2008, significant improvements were made to the actuarial reporting internal control environment that remediated the material control weakness related to the Bankers Life segment and our former Other Business in Run-off segment. Although controls within the Conseco Insurance Group segment were also enhanced, additional system and actuarial process improvements are necessary before the material control weakness can be remediated.

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Sales results

In addition to the sales of proprietary products, Bankers Life, through a partnership with Coventry, distributes Medicare PDP and PFFS plan through Bankers career agents.

At Bankers Life (career distribution), total NAP in 4Q08 was \$72.8 million, up 25% over 4Q07 (total NAP, excluding PFFS, was \$71.9 million, up 18 percent from 4Q07). For the year, Bankers' total NAP was up 4% from 2007 total of \$294.4 million.

At Colonial Penn (direct distribution), total NAP was \$10.9 million, up 16% over 4Q07 as we continue to benefit from our investment in marketing. For the year, total NAP rose 28% over 2007 total of \$42.3 million.

At Conseco Insurance Group (independent distribution), total NAP was \$17.9 million, down 9% from 4Q07. For the year, total NAP fell 9% from 2007 total of \$78.8 million.

Conference Call

The company will host a conference call to discuss results at 10:00 a.m. Eastern Standard Time on March 2, 2009. The webcast can be accessed through the Investors section of the company's website as follows:

<http://investor.conseco.com>. Listeners should go to the website at least 15 minutes before the event to register and download any necessary audio software. During the call, we will be referring to a presentation that will be available Monday morning through the investors section of the company's website.

About Conseco

Conseco, Inc.'s insurance companies help protect working American families and seniors from financial adversity: Medicare supplement, long-term care, cancer, heart/stroke and accident policies protect people against major unplanned expenses; annuities and life insurance products help people plan for their financial futures. For more information, visit Conseco's web site at www.conseco.com.

(1) Measured by new annualized premium, which includes 6% of annuity and 10% of single premium whole life deposits and 100% of all other premiums, PDP sales equal \$200 per enrolled policy (\$310 in 2007), PFFS sales equal \$2,250 per enrolled policy (\$2,100 in 2007).

(2) Management believes that an analysis of earnings or loss before net realized investment gains (losses), losses related to the transfer of Senior Health to an independent trust, corporate interest and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes:

(i) corporate interest expense; and (ii) net realized investment gains (losses) that are unrelated to the company's underlying fundamentals. A reconciliation of EBIT to Net Income applicable to common stock is provided in the tables on page 3 and 7.

(3) Management believes that an analysis of Net income (loss) applicable to common stock before net realized investment gains or losses, losses related to the transfer of Senior Health to an independent trust, net of related amortization and income taxes, ("Net Operating Income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the company's underlying fundamentals. A reconciliation of Net Operating Income to Net Income applicable to common stock is provided in the tables on page 3 and 7. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor - SEC Filings" section of Conseco's website, www.conseco.com.

(4) The calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. The corresponding GAAP measures for debt-to-total capital and book value per common share were 44.4% and \$9.01, respectively, at December 31, 2008, and 22.0% and \$22.94, respectively, at December 31, 2007.

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(5) Such amount includes a deferred tax valuation allowance of \$30.9 million as it is more likely than not that tax benefits related to investment losses recognized in the fourth quarter of 2008 will not be utilized to offset future taxable income.

Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in these materials relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect our ability to raise capital or refinance our existing indebtedness and the cost of doing so; (ii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (iii) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (iv) the receipt of required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (v) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (vi) changes in our assumptions related to the cost of policies produced or the value of policies in force at the Effective Date; (vii) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (viii) changes in accounting principles and the interpretation thereof; (ix) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems; (x) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xi) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (xii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xiii) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (xiv) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xv) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xvi) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xvii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xviii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; and (xix) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

- Tables Follow -

**CONSECO, INC. AND SUBSIDIARIES
PRELIMINARY OPERATING RESULTS**

Results by segment for the year ended were as follows (\$ in millions):

| | Year Ended December 31, | |
|--|----------------------------|-----------|
| | 2008 | 2007 |
| EBIT (2), excluding costs related to a litigation settlement and loss related to a coinsurance transaction: | | |
| Bankers Life..... | \$ 171.5 | \$ 241.8 |
| Colonial Penn..... | 25.2 | 18.1 |
| Conseco Insurance Group..... | 121.3 | 82.4 |
| Corporate Operations, excluding corporate interest expense..... | (26.7) | (16.8) |
| | 291.3 | 325.5 |
| EBIT, excluding costs related to a litigation settlement and a loss related to an annuity coinsurance transaction..... | 291.3 | 325.5 |
| Costs related to a litigation settlement..... | - | (64.4) |
| Loss related to an annuity coinsurance transaction..... | - | (76.5) |
| | 291.3 | 184.6 |
| Total EBIT..... | 291.3 | 184.6 |
| Corporate interest expense..... | (59.2) | (72.3) |
| Gain on extinguishment of debt..... | 21.2 | - |
| | 253.3 | 112.3 |
| Income before net realized investment losses, taxes and discontinued operations..... | 253.3 | 112.3 |
| Tax expense on period income..... | 96.9 | 38.8 |
| | 156.4 | 73.5 |
| Income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations..... | 156.4 | 73.5 |
| Preferred stock dividends: | | |
| 5.50% Class B mandatorily convertible preferred stock..... | - | (14.1) |
| | 156.4 | 59.4 |
| Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations..... | 156.4 | 59.4 |
| Net realized investment losses (excluding the increase in unrealized losses on those investments transferred to an independent trust and net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses)..... | (217.4) (1) | (79.5) |
| | (61.0) | (20.1) |
| Net loss applicable to common stock before valuation allowance for deferred tax assets and discontinued operations..... | (61.0) | (20.1) |
| Valuation allowance for deferred tax assets (excluding the establishment of a valuation allowance for realized investment losses and discontinued operations)..... | (298.0) | (68.0) |
| Discontinued operations..... | (722.7) | (105.9) |
| | \$(1,081.7) | \$(194.0) |
| | ===== | ===== |
| Per diluted share: | | |
| Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations..... | \$.85 | \$.34 |
| Net realized investment losses, net of related amortization and taxes..... | (1.18) | (.46) |
| Valuation allowance for deferred tax assets..... | (1.61) | (.39) |
| Discontinued operations..... | (3.92) | (.61) |
| | \$(5.86) | \$(1.12) |
| | ===== | ===== |

(1) Such amount includes a deferred tax valuation allowance of \$60.9 million as it is more likely than not that tax benefits related to investment losses recognized in the third and fourth quarters of 2008 will not be utilized to offset future taxable income.

**CONSECO, INC. AND SUBSIDIARIES
COLLECTED PREMIUMS
(Dollars in millions)**

| | Three months ended December 31, | |
|----------------------------------|------------------------------------|---------|
| | 2008 | 2007 |
| Bankers Life segment: | | |
| Annuity..... | \$411.2 | \$221.9 |
| Supplemental health..... | 502.0 | 420.4 |
| Life..... | 55.7 | 50.7 |
| | ----- | ----- |
| Total collected premiums..... | \$968.9 | \$693.0 |
| | ===== | ===== |
| Conseco Insurance Group segment: | | |
| Annuity..... | \$ 23.7 | \$ 58.0 |
| Supplemental health..... | 158.6 | 156.5 |
| Life..... | 63.2 | 68.8 |
| | ----- | ----- |
| Total collected premiums..... | \$245.5 | \$283.3 |
| | ===== | ===== |
| Colonial Penn segment: | | |
| Life..... | \$ 43.8 | \$ 31.7 |
| Supplemental health..... | 2.1 | 2.5 |
| | ----- | ----- |
| Total collected premiums..... | \$ 45.9 | \$ 34.2 |
| | ===== | ===== |

BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

| | Three Months Ended December 31, | |
|--|------------------------------------|---------------|
| | 2008 | 2007 |
| Bankers Life segment: | | |
| Medicare Supplement: | | |
| Earned premium..... | \$160 million | \$159 million |
| Benefit ratio(a)..... | 74.7% | 67.6% |
| PDP and PFFS: | | |
| Earned premium..... | \$154 million | \$90 million |
| Benefit ratio(a)..... | 100.8% | 83.6% |
| Long-Term Care: | | |
| Earned premium..... | \$156 million | \$156 million |
| Benefit ratio(a)..... | 102.2% | 103.3% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b)..... | 67.4% | 71.2% |
| Conseco Insurance Group (CIG) segment: | | |
| Medicare Supplement: | | |
| Earned premium..... | \$49 million | \$55 million |
| Benefit ratio(a)..... | 62.8% | 66.0% |
| Specified Disease: | | |
| Earned premium..... | \$94 million | \$89 million |
| Benefit ratio(a)..... | 63.8% | 80.6% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b)..... | 30.1% | 46.5% |
| Long-Term Care: | | |
| Earned premium..... | \$9 million | \$10 million |
| Benefit ratio(a)..... | 216.9% | 150.5% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b)..... | 137.4% | 89.3% |

(a) The benefit ratio is calculated by dividing the related product's insurance policy benefits by insurance policy income.

(b) The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor - SEC Filings" section of Conseco's website, www.conseco.com.



CONSECO®

Preliminary View of Fourth Quarter 2008 Financial and Operating Results

Conseco, Inc.

Forward-Looking Statements

Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in these materials relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect our ability to raise capital or refinance our existing indebtedness and the cost of doing so; (ii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (iii) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (iv) the receipt of required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (v) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (vi) changes in our assumptions related to the cost of policies produced or the value of policies in force at the Effective Date; (vii) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (viii) changes in accounting principles and the interpretation thereof; (ix) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems; (x) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xi) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (xii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xiii) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (xiv) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xv) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xvi) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xvii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xviii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; and (xix) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

Preliminary Results

All financial results described herein should be considered preliminary and are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and files its Annual Report on Form 10-K for the year ended December 31, 2008.

Non-GAAP Measures

This presentation contains the following financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP): operating earnings measures; book value excluding accumulated other comprehensive income (loss) per diluted share; operating return measures; earnings before net realized investment gains (losses) and corporate interest and taxes; debt to capital ratios, excluding accumulated other comprehensive income (loss); and interest-adjusted benefit ratios. Reconciliations between those non-GAAP measures and the comparable GAAP measures are included in the Appendix, or on the page such measure is presented.

While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered substitutes for the most directly comparable GAAP measures.

Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Consec's website, www.conseco.com.

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CNO

▪ **Going Concern Discussion**

- Form 10-K filing delayed until on or before March 17, 2009.
- Finalizing the analysis and disclosure related to investment portfolio
- Auditors' concerns regarding liquidity and debt covenant margins (primarily those that could be impacted by a significant amount of additional realized losses in the Company's investment portfolio). Unless auditors are satisfied with additional information being provided by the Company, the audit opinion will include an explanatory paragraph regarding the Company's ability to continue as a going concern.

▪ **Material Control Weakness**

Q4 2008

Preliminary Financial Summary

CNO

- Continued profitability in all three insurance segments, with total Q4 2008 EBIT of \$78.1 million
- \$101.6 million quarterly sales for CNO, up 16% over Q4 2007
 - Bankers sales up 25%
 - Colonial Penn sales up 16%
 - CIG sales down 9%
- Separation of Senior Health* occurred in Q4 2008
- Capital management initiatives
- Section 382 shareholder rights plan announced in January 2009

*Senior Health Insurance Company of Pennsylvania, formerly known as Conesco Senior Health Insurance Company prior to its name change in October 2008.

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Q4 2008

Preliminary Financial Summary

CNO

- Investment portfolio earned yields meeting expectations
- Net realized investment losses of \$88.0 million (including impairment losses of \$44.8 million), consistent with Q3 2008 results, industry trends and market conditions
- Accumulated other comprehensive loss increased from \$1.1 billion at 9/30/08 to \$1.8 billion at 12/31/08, primarily driven by wider credit spreads, consistent with market conditions
- Company expects final audited financial statements to show compliance, as of 12/31/08, with all financial ratio and balance covenants of bank facility

Why CNO is Different

- Not ratings-sensitive
- Virtually no variable business
- Focus on protection products
- Small average policy sizes
- No significant investments in exotic securities
- No dynamic hedging

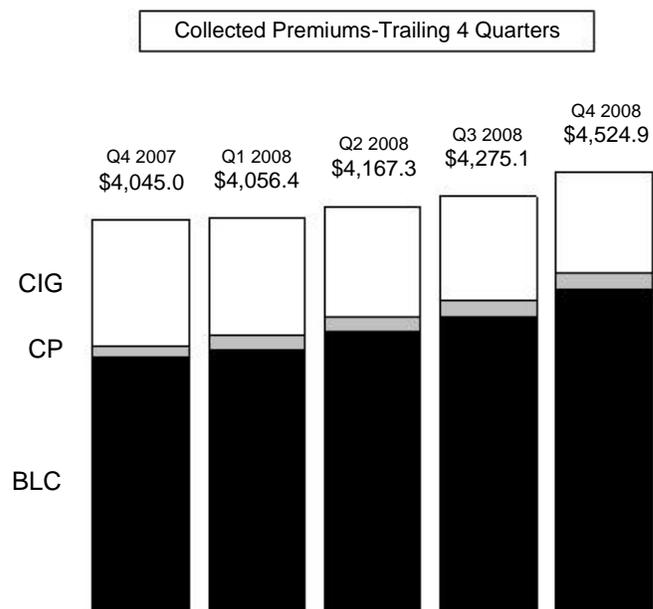
7

Collected Premiums

(\$ millions)

- Strong, consistent growth in Bankers and Colonial Penn
- Slight decline in CIG due to focus on more profitable business

CNO



Q4 2008 Preliminary Summary of Results

CNO

(\$ millions, except per share amounts)

| | Pre-Tax | After Tax | EPS |
|--|------------------|------------------|------------------|
| Bankers Life | \$40.0 | | |
| Colonial Penn | 6.7 | | |
| Conseco Insurance Group | 31.5 | | |
| Corporate operations, interest expense and gain on extinguishment of debt | 5.9 | | |
| Income before net realized investment losses* | 84.1 | \$48.7 | \$0.26 ** |
| Net realized investment losses | (88.0) | (88.0) | (0.47) |
| Discontinued operations | (369.6) | (367.5) | (1.99) |
| Total | <u>\$(373.5)</u> | <u>\$(406.8)</u> | <u>\$(2.20)</u> |

*Management believes that an analysis of earnings before net realized investment gains (losses) (including losses related to the transfer of Senior Health to an independent trust – now included in Discontinued Operations) and taxes (a non-GAAP financial measure) provides an alternative measure of the operating results of the company because it excludes net realized gains (losses) that are unrelated to the company's underlying fundamentals. The table above provides a reconciliation to the corresponding GAAP measure.

**See Appendix for a reconciliation to the corresponding GAAP measure.

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Q4 Preliminary Earnings

CNO Consolidated

(\$ millions)

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|---|-----------------|----------------|------------------|------------------|------------------|
| Bankers Life | \$58.3 | \$29.1 | \$34.6 | \$67.8 | \$40.0 |
| Colonial Penn | (0.2) | 3.7 | 8.3 | 6.5 | 6.7 |
| Conseco Insurance Group | 9.6 | 23.3 | 32.3 | 34.2 | 31.5 |
| Corporate operations, excluding interest expense | (2.9) | (6.7) | (16.2) | (3.7) | (0.1) |
| Total EBIT* | 64.8 | 49.4 | 59.0 | 104.8 | 78.1 |
| Corporate interest expense | (19.1) | (16.4) | (13.9) | (13.7) | (15.2) |
| Gain on extinguishment of debt | 0.0 | 0.0 | 0.0 | 0.0 | 21.2 |
| Income (loss) before net realized investment losses, taxes and discontinued operations | 45.7 | 33.0 | 45.1 | 91.1 | 84.1 |
| Tax expense on period income | 18.5 | 11.5 | 18.5 | 31.5 | 35.4 |
| Net operating income (loss) | 27.2 | 21.5 | 26.6 | 59.6 | 48.7 |
| Net realized investment losses (excluding the increase in unrealized losses on those investments transferred to an independent trust and net of related amortization and taxes and the establish- ment of a valuation allowance for deferred tax assets related to such losses) | (23.8) | (27.8) | (17.4) | (84.2) | (88.0) |
| Net income (loss) applicable to common stock before valuation allowance for deferred tax assets and discontinued operations | 3.4 | (6.3) | 9.2 | (24.6) | (39.3) |
| Valuation allowance for deferred tax assets | (68.0) | 0.0 | (298.0) | 0.0 | 0.0 |
| Discontinued operations | (6.9) | 0.5 | (198.3) | (157.4) | (367.5) |
| Net loss applicable to common stock | <u>\$(71.5)</u> | <u>\$(5.8)</u> | <u>\$(487.1)</u> | <u>\$(182.0)</u> | <u>\$(406.8)</u> |

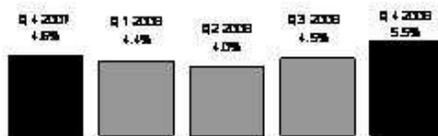
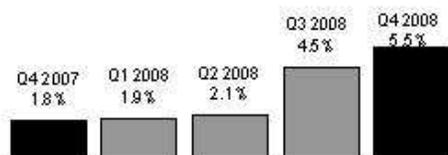
*Management believes that an analysis of earnings before net realized investment gains (losses) (including losses related to the transfer of Senior Health to an independent trust – now included in discontinued Operations) and corporate interest and taxes ("EBIT," a non-GAAP financial measure) provides an alternative measure to compare the operating results of the company quarter-over-quarter because it excludes: (1) corporate interest expense; and (2) net realized gains (losses) that are unrelated to the company's underlying fundamentals. The table above provides a reconciliation of EBIT to net income applicable to common stock.

Preliminary Operating ROE

CNO

Operating ROE*, Trailing 4 Quarters

Operating ROE (Before Annuity Coinsurance Transaction)**,
Trailing 4 Quarters

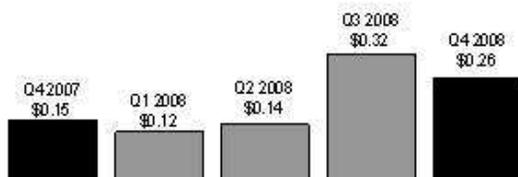


*Operating return excludes net realized investment gains (losses), valuation allowance related to deferred tax assets and losses related to the transfer of Senior Health to an independent trust. Equity excludes accumulated other comprehensive income (loss) and the value of net operating loss carryforwards, and assumes conversion of preferred stock. See Appendix for corresponding GAAP measure.

**Operating return, as calculated and defined on the left side of this page, but before a Q3 2007 charge related to an annuity coinsurance transaction. See Appendix for corresponding GAAP measure.

Preliminary Operating EPS* (Diluted)

CNO



*Operating earnings per share exclude net realized investment gains (losses), valuation allowance related to deferred tax assets and losses related to the transfer of Senior Health to an independent trust. See Appendix for corresponding GAAP measure.

Liquidity

CNO

■ Corporate liquidity

- Available holding and non-life company liquidity of \$59 million at 12/31/08
 - \$108 million of liquidity at 2/27/09
- Repurchased \$37 million of our convertible debentures during October 2008 for \$16 million, resulting in \$21 million gain
- Drew down \$75 million on revolver during October 2008, which confirmed the availability of these funds; repaid \$20 million in December 2008

■ Sources of and uses of funds, excluding insurance subsidiary dividends

(\$ millions)

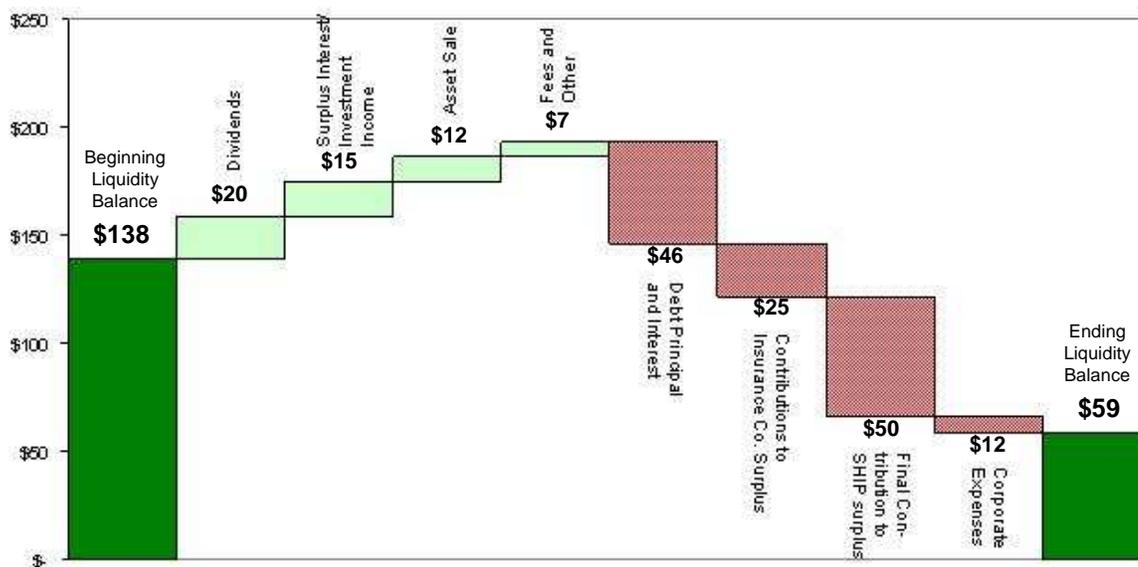
| | <u>2007</u> | <u>2008</u> |
|--|---------------|---------------|
| Sources: | | |
| Interest on Surplus Debentures | \$69.9 | \$56.4 |
| Net Fees for Services Provided Under Intercompany Agreements | 92.9 | 83.2 |
| Uses: | | |
| Interest Expense on Corporate Debt | (72.3) | (59.2) |
| Operating Expenses | (42.4) | (43.5) |
| Net Impact | <u>\$48.1</u> | <u>\$36.9</u> |

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Liquidity: Q4 2008 Actual

CNO

(\$ millions)



2009 Liquidity Projection

CNO

(\$ millions)

| | |
|--------------------------------|---------------|
| Cash Balance 12/31/08 | \$59.0 |
| Sources | |
| Dividends* | 60.0 |
| Surplus Debenture Interest* | 44.9 |
| Management and Investment Fees | 53.0 |
| Intercompany Loans and Other | <u>37.4</u> |
| Total Sources | <u>195.3</u> |
| Uses | |
| Interest | 54.6 |
| Debt Repayments: | |
| Revolver | 55.0 |
| Senior Credit Facility | 10.2 |
| Senior Health Notes | 25.0 |
| Holding Company Expenses | <u>34.1</u> |
| Total Uses | <u>178.9</u> |
| Cash Balance 12/31/09 | <u>\$75.4</u> |

*Subject to regulatory approval. Dividend payments of \$25 million and Surplus Debenture Interest of \$21 million are pending regulatory approval.

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Key Debt Covenants

CNO

(\$ millions)

| | | <u>Q4 2007</u> | <u>Q3 2008</u> | <u>Q4 2008</u> |
|--|----------------------------|----------------|----------------|----------------|
| <ul style="list-style-type: none"> ■ Company expects final audited statements to show compliance, as of 12/31/08, with all financial ratio and balance covenants of bank facility | Debt/Capital Ratio* | | | |
| | Covenant Maximum | 30.0% | 30.0% | 30.0% |
| | Actual | 21.0% | 23.6% | 27.9% |
| | Interest Coverage | | | |
| | Covenant Minimum | 2.00X | 2.00X | 2.00X |
| | Actual | 3.34X | 2.64X | 2.34X |
| | Statutory Capital | | | |
| | Covenant Minimum | \$1,270 | \$1,270 | \$1,270 |
| | Actual | \$1,497 | \$1,433 | \$1,381 |
| | RBC Ratio | | | |
| | Covenant Minimum | 250% | 250% | 250% |
| | Actual | 296% | 257% | 258% |

*Excludes Accumulated Other Comprehensive Income

Consolidated RBC Ratio*

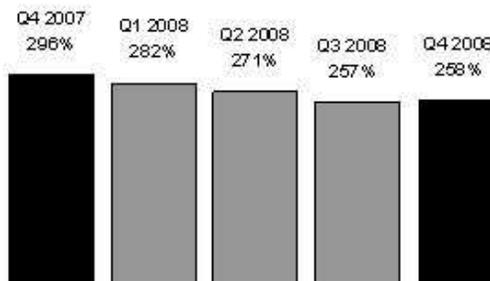
CNO

■ **Q4 2008 positive impacts:**

- Senior Health separation
- Q4 statutory operating results
- Permitted practices
- Capital management actions

■ **Q4 2008 negative impacts:**

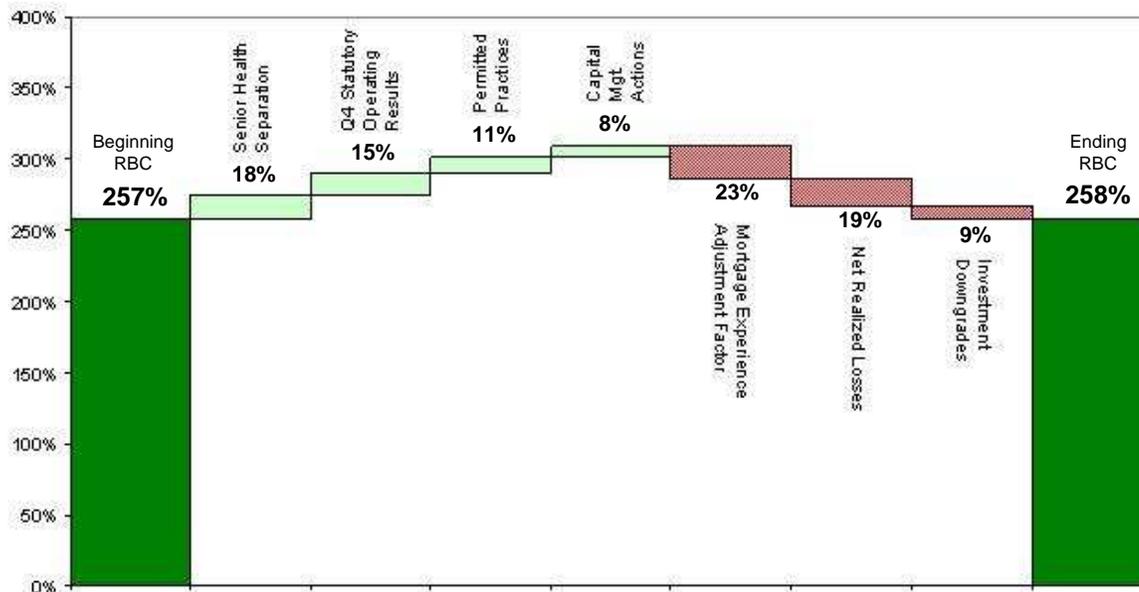
- Mortgage Experience Adjustment Factor
- Net realized losses
- Investment downgrades



*Risk-Based Capital (“RBC”) requirements provide a tool for insurance regulators to determine the levels of statutory capital and surplus an insurer must maintain in relation to its insurance and investment risks. The RBC ratio is the ratio of the statutory consolidated adjusted capital of our insurance subsidiaries to RBC.

Consolidated RBC Ratio – Q4 2008 Changes

CNO



Capital Management Actions

CNO

- **Bankers LTC New Business Reinsurance**
 - **Benefits**
 - Improve capital and product risk mix
 - Develop partnership with reinsurer
 - **Transaction Terms**
 - Reinsurer: Reinsurance Group of America (RGA)
 - Reinsure 2008, 2009 and future new business
 - Traditional coinsurance; quota share is 70% for 2008 and 50% for 2009+
- **Coventry Agreement**
 - Exited reinsurance of Coventry group contracts – non-core business
 - Improves RBC going forward
- **Other Reinsurance**
 - Series of small external and internal arrangements – effects on following page
- **Permitted Practice Approvals**

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Capital Management Actions: Statutory Financial Impact

CNO

(\$ millions)

| | 2008 | | 2009 | |
|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | <u>Consolidated TAC Impact</u> | <u>Consolidated RBC Impact</u> | <u>Consolidated TAC Impact</u> | <u>Consolidated RBC Impact</u> |
| Bankers - LTC Reinsurance | \$6.8 | +1.5% | \$6.8 | +1.5% |
| Bankers – Coventry Group Exit | N/A | N/A | \$(0.3) | +7.8% |
| Other Reinsurance and Capital Actions | \$24.4 | +10.8% | \$(20.7) | +3.2% |
| Permitted Practices | \$61.9 | +11.0% | N/A | N/A |

Capital Management Actions: 2009 GAAP Impact

CNO

(\$ millions, except per share amounts)

| | GAAP Operating Income | | |
|---------------------------------------|-----------------------|------------------|------------------|
| | <u>Pre-Tax</u> | <u>After Tax</u> | <u>Per Share</u> |
| Bankers - LTC Reinsurance | \$(3.0) | \$(2.0) | \$(0.01) |
| Bankers – Coventry Group Exit | \$(7.5) | \$(4.9) | \$(0.03) |
| Other Reinsurance and Capital Actions | \$(3.7) | \$(2.4) | \$(0.01) |

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Q4 Summary

Bankers

- **Earnings were \$40.0 million, vs. \$67.8 million in Q3 2008**
- **Q4 2008 earnings affected by:**
 - Lower than expected PFFS/PDP margins
 - Lower margins in Med Supp
 - FAS 133 and COLI volatility
 - Med Supp and LTC reinsurance transaction
- **Continued stabilization in LTC margins**
- **Strong Q4 2008 sales**

NAP Results

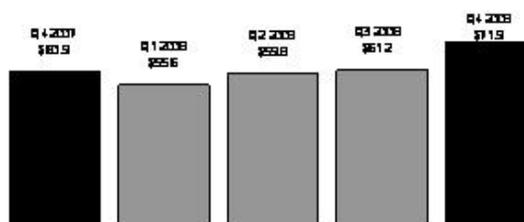
Bankers

(\$ millions)

Quarterly NAP-Excluding PFFS

■ Quarterly NAP up 18% vs Q4 2007 (up 25% including PFFS)

- Strong sales of annuities (+84%) and Med Supp (+21%), partially offset by lower life (-13%) and LTC (-27%) sales



| | | | | | |
|-------------------------|---------|---------|---------|--------|--------|
| Non-PFFS NAP-Quarterly: | \$60.9 | \$55.6 | \$59.8 | \$61.2 | \$71.9 |
| PFFS NAP-Quarterly*: | \$(2.6) | \$59.0 | \$(6.4) | \$4.6 | \$0.9 |
| NAP-Quarterly*: | \$58.3 | \$114.6 | \$53.4 | \$65.8 | \$72.8 |

*Excludes group business not sold by Bankers agents.

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Q4 Earnings

Bankers

(\$ millions)

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|--|---------------|---------------|---------------|---------------|---------------|
| Insurance policy income | \$470.4 | \$497.0 | \$543.4 | \$537.7 | \$531.8 |
| Net investment income | 132.1 | 129.3 | 135.2 | 138.3 | 155.4 |
| Fee revenue and other income | 4.3 | 1.6 | 2.1 | 3.1 | 4.2 |
| Total revenues | <u>606.8</u> | <u>627.9</u> | <u>680.7</u> | <u>679.1</u> | <u>691.4</u> |
| Insurance policy benefits | 394.9 | 434.9 | 497.2 | 470.3 | 477.5 |
| Amounts added to policyholder account balances | 43.5 | 44.8 | 37.2 | 46.2 | 82.3 |
| Amortization related to operations | 65.0 | 75.0 | 66.6 | 53.5 | 39.7 |
| Other operating costs and expenses | 45.1 | 44.1 | 45.1 | 41.3 | 51.9 |
| Total benefits and expenses | <u>548.5</u> | <u>598.8</u> | <u>646.1</u> | <u>611.3</u> | <u>651.4</u> |
| Income before net realized investment gains (losses), net of related amortization and income taxes | <u>\$58.3</u> | <u>\$29.1</u> | <u>\$34.6</u> | <u>\$67.8</u> | <u>\$40.0</u> |

Trailing 4 Quarter Operating Return on Equity: 7.1%

Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 10 reconciles the non-GAAP measure to the corresponding GAAP measure. See Appendix for a reconciliation of the return on equity measure to the corresponding GAAP measure.

Q4 Summary

Colonial Penn

- **Q4 2008 NAP of \$11 million, 16% above Q4 2007**
 - 2008 YTD NAP of \$54.4 million, up 28% over prior year
- **Q4 2008 earnings were \$6.7 million, compared to \$(0.2) million in Q4 2007**
 - Lower expenses from discontinued PFFS pilot program
 - Q4 2007 recapture of reinsurance treaty
 - Organic growth from sales initiatives

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Q4 Earnings

Colonial Penn

(\$ millions)

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|---|----------------|--------------|--------------|--------------|--------------|
| Insurance policy income | \$34.6 | \$44.4 | \$47.5 | \$46.4 | \$46.5 |
| Net investment income | 9.5 | 9.2 | 10.1 | 10.1 | 10.2 |
| Fee revenue and other income | 0.2 | 0.3 | 0.5 | 0.5 | 0.5 |
| Total revenues | <u>44.3</u> | <u>53.9</u> | <u>58.1</u> | <u>57.0</u> | <u>57.2</u> |
| Insurance policy benefits | 25.2 | 35.0 | 35.5 | 33.9 | 33.8 |
| Amounts added to policyholder account balances | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Amortization related to operations | 5.5 | 7.4 | 7.4 | 9.2 | 8.0 |
| Other operating costs and expenses | 13.5 | 7.5 | 6.6 | 7.1 | 8.4 |
| Total benefits and expenses | <u>44.5</u> | <u>50.2</u> | <u>49.8</u> | <u>50.5</u> | <u>50.5</u> |
| Income (loss) before net realized investment gains (losses) and income taxes, net of related amortization | <u>(\$0.2)</u> | <u>\$3.7</u> | <u>\$8.3</u> | <u>\$6.5</u> | <u>\$6.7</u> |

Trailing 4 Quarter Operating Return on Equity: 12.4%

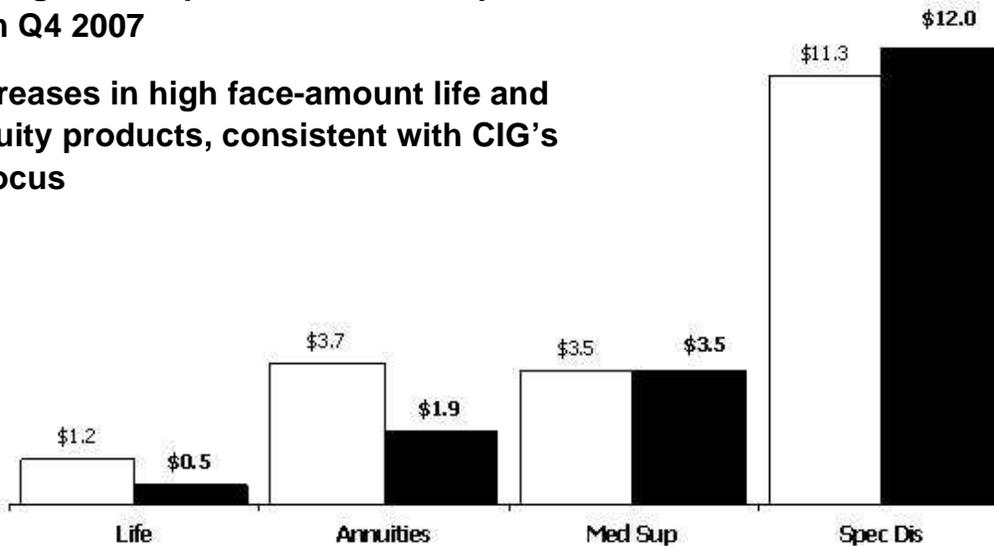
Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 10 reconciles the non-GAAP measure to the corresponding GAAP measure. See Appendix for a reconciliation of the return on equity measure to the corresponding GAAP measure.

Q4 2008 NAP \$18 million, 9% below Q4 2007

CIG

(\$ millions)

- Sales gains in specified disease, up 6% from Q4 2007
- Decreases in high face-amount life and annuity products, consistent with CIG's re-focus



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Q4 Summary

CIG

- **Q4 2008 earnings down 8% vs Q3 2008:**
 - Unlocking adjustment of \$7.0 million on the interest-sensitive life block
 - Lower LTC closed block margins (\$4.4 million)
 - Partially offset by:
 - Higher specified disease margins due to a deferred ROP adjustment
 - Higher Medicare supplement margins
- **Q4 2008 earnings up 228% vs Q4 2007:**
 - Higher specified disease margins and lower amortization
 - The unlocking adjustment was significantly less in Q4 2008
 - Partially offset by lower LTC closed block margins
- **Continuing to make changes to non-guaranteed elements of older life insurance policies issued by Consec's predecessor companies**

Q4 Earnings

CIG

| (\$ millions) | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|---|--------------|---------------|---------------|---------------|---------------|
| Insurance policy income | \$242.6 | \$243.7 | \$239.1 | \$237.7 | \$238.4 |
| Net investment income | 137.7 | 136.1 | 138.7 | 134.0 | 143.7 |
| Fee revenue and other income | 0.3 | 0.8 | 0.5 | 0.1 | 0.3 |
| Total revenues | <u>380.6</u> | <u>380.6</u> | <u>378.3</u> | <u>371.8</u> | <u>382.4</u> |
| Insurance policy benefits | 195.1 | 209.1 | 208.6 | 203.6 | 199.6 |
| Amounts added to policyholder account balances | 47.7 | 43.6 | 37.1 | 42.7 | 38.4 |
| Amortization related to operations | 51.2 | 30.2 | 31.2 | 24.9 | 36.3 |
| Interest expense on investment borrowings | 6.1 | 5.8 | 5.5 | 5.6 | 5.5 |
| Gain on reinsurance recapture | 0.0 | 0.0 | 0.0 | (0.8) | 0.0 |
| Other operating costs and expenses | 70.9 | 68.6 | 63.6 | 61.6 | 71.1 |
| Total benefits and expenses | <u>371.0</u> | <u>357.3</u> | <u>346.0</u> | <u>337.6</u> | <u>350.9</u> |
| Income before net realized investment gains (losses), net of related amortization and income taxes, excluding costs related to the litigation settlement and the loss related to an annuity coinsurance transaction | <u>\$9.6</u> | <u>\$23.3</u> | <u>\$32.3</u> | <u>\$34.2</u> | <u>\$31.5</u> |

Trailing 4 Quarter Operating Return on Equity: 3.7%

Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. The table on Page 10 reconciles the non-GAAP measure to the corresponding GAAP measure. See Appendix for a reconciliation of the return on equity measure to the corresponding GAAP measure.

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Q4 2008 Net Realized Losses

CNO

(\$ millions)

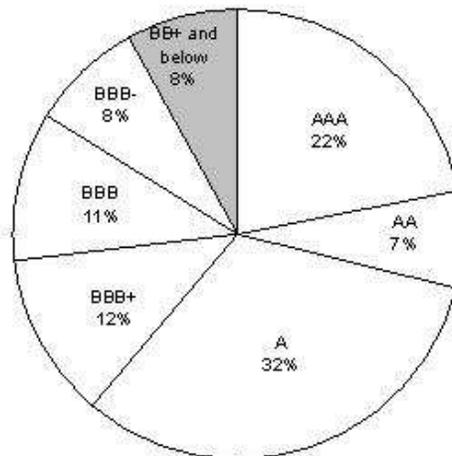
| | |
|---|-----------------|
| Net losses on sales | \$(48.1) |
| Losses due to recognition of other-than-temporary impairments | <u>(44.9)</u> |
| Subtotal before amortization adjustment | (93.0) |
| Amortization adjustment to DAC and PVP | <u>5.0</u> |
| Net realized investment losses | <u>\$(88.0)</u> |

Investment Quality: Fixed Maturities*

CNO

- Investment grade securities represent 92% of total portfolio*
- Limited new money allocation to below-investment grade securities
- Increase in below-investment grade ratio driven by credit cycle/ratings migration

Actively Managed Fixed Maturities by Rating at 12/31/08 (Market Value)

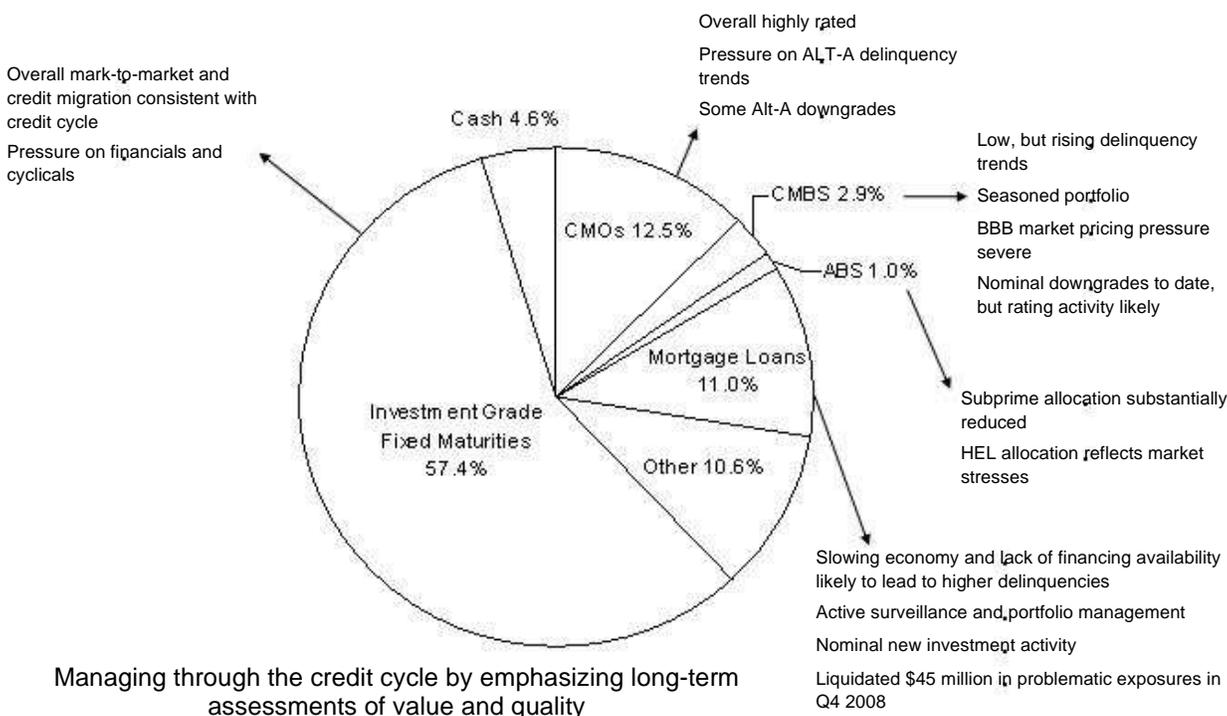


| | 12/31/07 | 3/31/07 | 6/30/08 | 9/30/08 | 12/31/08 |
|--|----------|---------|---------|---------|----------|
| % of Bonds which are Investment Grade: | 92% | 93% | 93% | 93% | 92% |

*Includes investments from a variable interest entity which we consolidate under GAAP (though the related liabilities are non-recourse to Conseco).

Asset Allocation at 12/31/08

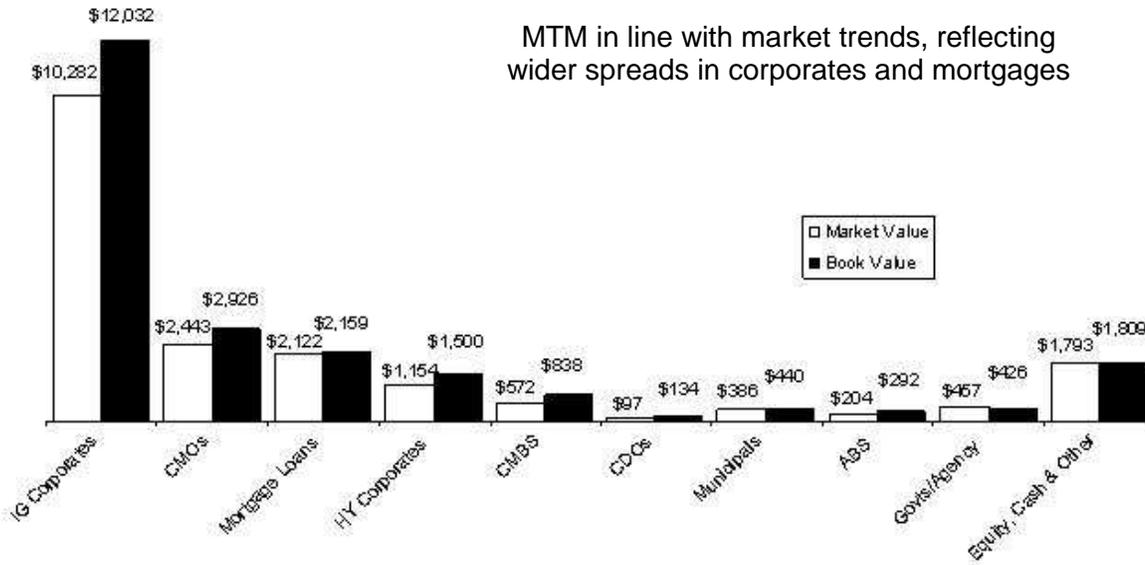
CNO



Asset Allocation at 12/31/08

CNO

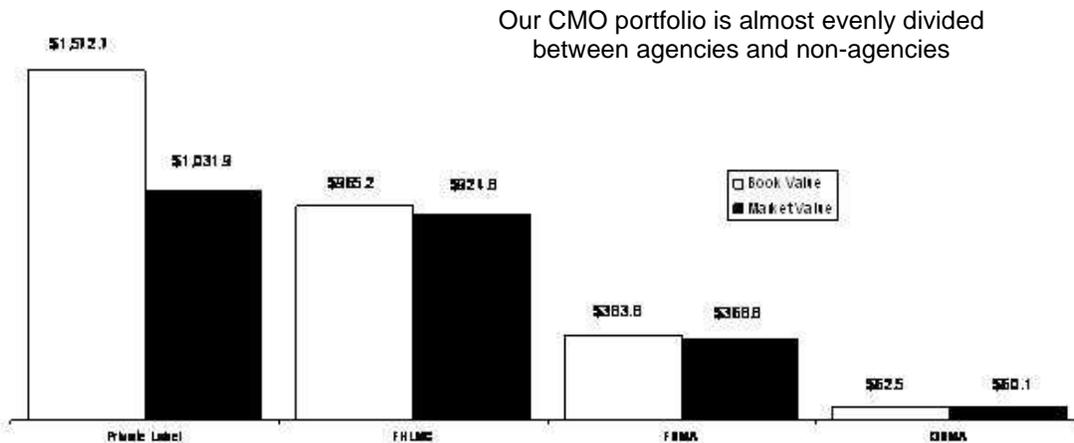
(\$ millions)



CMOs by Agency at 12/31/08

CNO

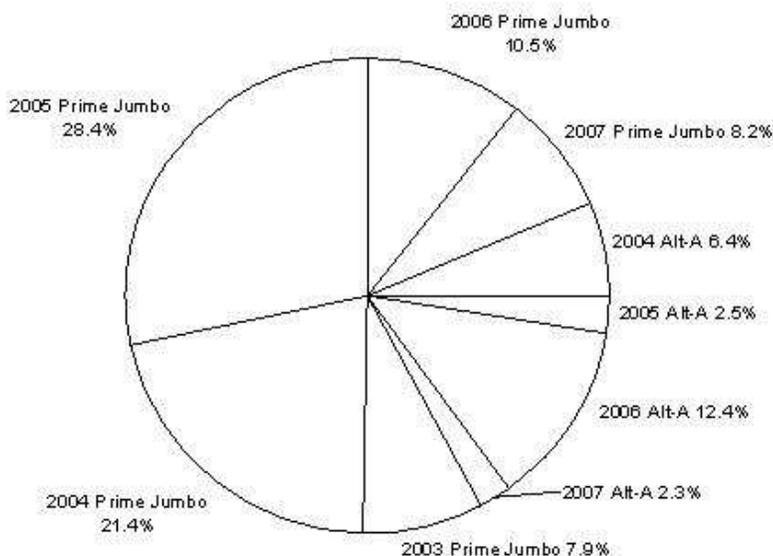
(\$ millions)



Non-Agency CMOs at 12/31/08

CNO

Our non-agency CMOs are diversified by type and vintage



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Alt-A at 12/31/08

CNO

(\$ millions)

| Rating | Market Value (mil.) | Book Value (mil.) | % of Alt-A* | Avg. FICO | Avg. Support | Avg. 60+ Delinq. | % of Portfolio* |
|--------------|---------------------|-------------------|---------------|------------|--------------|------------------|-----------------|
| AAA | \$227.1 | \$466.5 | 93.6% | 716 | 9.2% | 9.7% | 1.22% |
| AA | \$0.9 | \$4.0 | 0.4% | 695 | 18.2% | 6.5% | 0.00% |
| A | \$3.9 | \$3.9 | 1.6% | 708 | 6.8% | 12.5% | 0.02% |
| BB | \$10.8 | \$10.8 | 4.4% | 704 | 12.0% | 16.2% | 0.06% |
| Total | \$242.7 | \$485.2 | 100.0% | 715 | 9.3% | 9.9% | 1.30% |

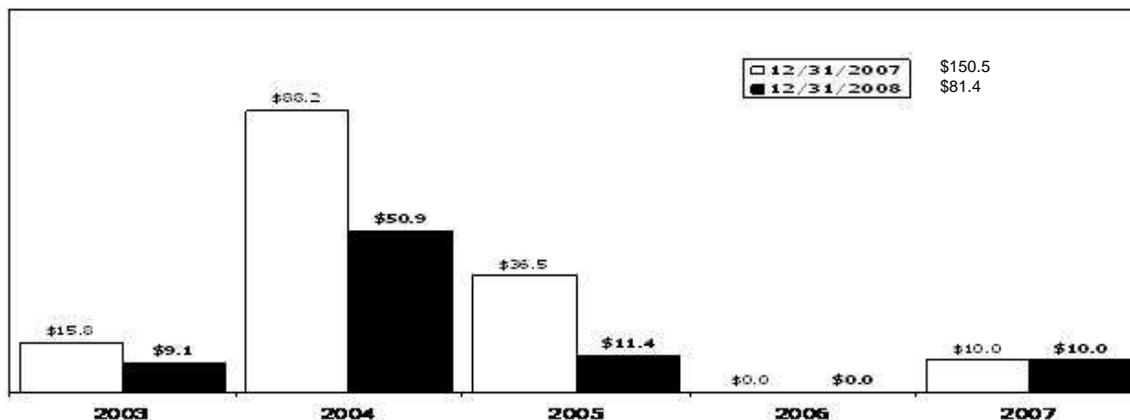
- \$14.7 million (market value) A category or lower (0.08% of invested assets)
- Substantial credit support inherent in structures relative to expected losses, even at rising delinquency rates
- No exposure to “affordability products” – option ARMs, hybrid, neg-ams

*% of market value

Sub-Prime Home Equity ABS By Vintage

CNO

(GAAP book value - \$ millions)



- Exposure reduced by 46% in 2008
- Market value represents 0.32% of invested assets at 12/31/08, compared to 0.52% at 12/31/07

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Sub-Prime Home Equity ABS

CNO

(\$ millions)

| Rating | Market Value (mil.) | Book Value (mil.) | % of Subprime* | Avg. FICO | Avg. Support | Avg. 60+ Delinq. | % of Portfolio* |
|--------------|---------------------|-------------------|----------------|------------|--------------|------------------|-----------------|
| AAA | \$24.1 | \$32.3 | 39.7% | 639 | 30.3% | 15.8% | 0.13% |
| AA | \$21.6 | \$31.7 | 38.9% | 648 | 23.4% | 9.5% | 0.12% |
| A | \$12.5 | \$17.4 | 21.4% | 665 | 22.8% | 8.4% | 0.07% |
| Total | \$58.2 | \$81.4 | 100.0% | 648 | 26.1% | 11.9% | 0.32% |

- Only \$12.5 million (market value) A category or lower (0.07% of invested assets)
- No exposure to “affordability products” – negative amortization, option ARM collateral, etc.
- Rising delinquencies, consistent with market conditions
- Remaining portfolio generally reflects satisfactory margin for adverse collateral performance

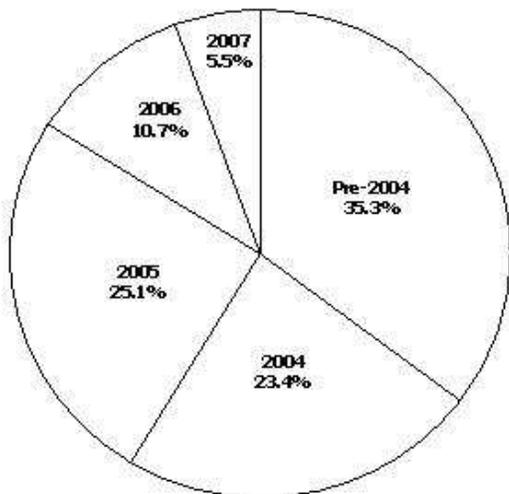
*% of market value

CMBS by Vintage at 12/31/08

CNO

(GAAP book value - \$ millions)

Our CMBS exposure is heavily weighted toward higher ratings and older vintages with stronger qualitative characteristics and seasoning



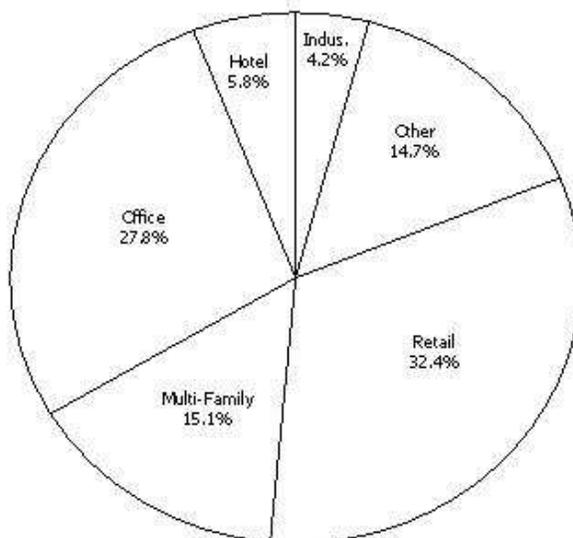
| | <u>AAA</u> | <u>AA</u> | <u>A</u> | <u>BBB</u> | <u><BBB</u> |
|-----------------|------------|-----------|----------|------------|----------------|
| Pre-2004 | \$225.3 | \$30.1 | \$30.2 | \$6.0 | --- |
| 2004 | \$153.7 | \$7.4 | \$15.6 | \$9.1 | --- |
| 2005 | \$111.7 | \$2.3 | \$31.9 | \$76.9 | --- |
| 2006 | --- | \$21.4 | \$15.6 | \$30.7 | \$23.2 |
| 2007 | \$47.0 | --- | --- | --- | --- |
| Total BV | \$537.7 | \$61.2 | \$93.3 | \$122.7 | \$23.2 |
| Total MV | \$450.8 | \$34.9 | \$38.1 | \$27.5 | \$20.6 |

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CMBS by Collateral Type at 12/31/08

CNO

Our CMBS are backed by a diverse pool of underlying collateral – \$90 billion, from more than 7,800 commercial mortgage loans



CNO Summary

- **Key differences between Conseco and the rest of the industry:**
 - Our sales are continuing to grow and, indeed, are growing strongly
 - Our products are simple and straightforward, and entail less risk than products designed for higher-net-worth customers
 - Our market is sufficiently different from most insurers
- **Capital management initiatives implemented**
- **Strong franchise in the consumer senior middle market**
- **Less stock market exposure than some of our highly rated competitors have**
- **We will be:**
 - Continuing to work on sales growth
 - Continuing to make the business more efficient
 - Continuing to work on projects to improve our capital position going forward

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Questions and Answers



Appendix

Information Related to Certain Non-GAAP Financial Measures

The following provides additional information regarding certain non-GAAP measures used in this presentation. A non-GAAP measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered as substitutes for the most directly comparable GAAP measures. Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Conseco's website, www.conseco.com.

Operating earnings measures

Management believes that an analysis of net income applicable to common stock before net realized gains or losses and losses related to the transfer of Senior Health to an independent trust ("net operating income", a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the Company's underlying fundamentals.

In addition, our results were affected by a significant charge related to a Q4 2007 valuation allowance for deferred tax assets. Management does not believe that similar charges are likely to recur within two years, and there were no similar charges recognized within the prior two years. Management believes an analysis of operating earnings before these charges is important to evaluate the performance of the Company prior to the effect of these unusual and significant charges.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income applicable to common stock to the net operating income, excluding a Q4 2007 and Q2 2008 valuation allowance for deferred tax assets (and related per share amounts) is as follows (dollars in millions, except per share amounts):

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|---|----------------|----------------|----------------|----------------|----------------|
| Net income (loss) applicable to common stock | \$ (71.5) | \$ (5.8) | \$ (487.1) | \$ (182.0) | \$ (406.8) |
| Net realized investment losses, net of related amortization and taxes | 23.8 | 27.8 | 17.4 | 84.2 | 88.0 |
| Discontinued operations | 6.9 | (0.5) | 198.3 | 157.4 | 367.5 |
| Net operating income (loss) (a non-GAAP financial measure) | <u>(40.8)</u> | <u>21.5</u> | <u>(271.4)</u> | <u>59.6</u> | <u>48.7</u> |
| Valuation allowance for deferred tax assets | 68.0 | - | 298.0 | - | - |
| Net operating income before a Q4 2007 valuation allowance for deferred tax assets (a non-GAAP financial measure) | <u>\$ 27.2</u> | <u>\$ 21.5</u> | <u>\$ 26.6</u> | <u>\$ 59.6</u> | <u>\$ 48.7</u> |
| Per diluted share: | | | | | |
| Net income (loss) | \$ (0.38) | \$ (0.03) | \$ (2.64) | \$ (0.98) | \$ (2.20) |
| Net realized investment losses, net of related amortization and taxes | 0.13 | 0.15 | 0.09 | 0.45 | 0.47 |
| Discontinued operations | 0.03 | - | 1.08 | 0.85 | 1.99 |
| Net operating income (loss) (a non-GAAP financial measure) | <u>(0.22)</u> | <u>0.12</u> | <u>(1.47)</u> | <u>0.32</u> | <u>0.26</u> |
| Valuation allowance for deferred tax assets | 0.37 | - | 1.61 | - | - |
| Net operating income before a Q4 2007 valuation allowance for deferred tax assets (a non-GAAP financial measure) | <u>\$ 0.15</u> | <u>\$ 0.12</u> | <u>\$ 0.14</u> | <u>\$ 0.32</u> | <u>\$ 0.26</u> |

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Information Related to Certain Non-GAAP Financial Measures

Book value, excluding accumulated other comprehensive income, per diluted share

This non-GAAP financial measure differs from book value per diluted share because accumulated other comprehensive income has been excluded from the book value used to determine the measure. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income. Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation from book value per diluted share to book value per diluted share, excluding accumulated other comprehensive income (loss) is as follows (dollars in millions, except per share amounts):

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|--|-------------|-------------|-------------|-------------|-------------|
| Total shareholders' equity | \$ 4,235.9 | \$ 3,939.7 | \$ 3,382.1 | \$ 2,704.0 | \$ 1,664.2 |
| Less accumulated other comprehensive income (loss) | (273.3) | (565.6) | (639.2) | (1,137.7) | (1,770.7) |
| Total shareholders' equity excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure) | \$ 4,509.2 | \$ 4,505.3 | \$ 4,021.3 | \$ 3,841.7 | \$ 3,434.9 |
| Diluted shares outstanding for the period | 184,708,727 | 184,681,243 | 184,792,300 | 184,761,138 | 184,755,680 |
| Book value per diluted share | \$ 22.93 | \$ 21.33 | \$ 18.30 | \$ 14.64 | \$ 9.01 |
| Less accumulated other comprehensive income (loss) | (1.48) | (3.07) | (3.46) | (6.15) | (9.58) |
| Book value, excluding accumulated other comprehensive income (loss), per diluted share (a non-GAAP financial measure) | \$ 24.41 | \$ 24.40 | \$ 21.76 | \$ 20.79 | \$ 18.59 |

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Information Related to Certain Non-GAAP Financial Measures

Operating return measures

Management believes that an analysis of return before net realized gains or losses and losses related to the transfer of Senior Health to an independent trust ("net operating income", a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the Company's underlying fundamentals.

In addition, our returns were affected by a significant charge related to a Q4 2007 and Q2 2008 valuation allowance for deferred tax assets. Management does not believe that similar charges are likely to recur within two years, and there were no similar charges recognized within the prior two years. Management believes an analysis of return before these charges and subsequent refinements is important to evaluate the performance of the Company prior to the effect of these unusual and significant charges.

This non-GAAP financial measure also differs from return on equity because accumulated other comprehensive income (loss) has been excluded from the value of equity used to determine this ratio. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

In addition, our equity includes the value of significant net operating loss carryforwards (included in income tax assets). In accordance with GAAP, these assets are not discounted, and accordingly will not provide a return to shareholders (until after it is realized as a reduction to taxes that would otherwise be paid). Management believes that excluding this value from the equity component of this measure enhances the understanding of the effect these non-discounted assets have on operating returns and the comparability of these measures from period-to-period. Operating return measures are used in measuring the performance of our business units and are used as a basis for incentive compensation.

All references to segment operating return measures assume a 25% debt to total capital ratio at the segment level. Additionally, corporate expenses have been allocated to the segments.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of return on common equity to operating return less a Q4 2007 and Q2 2008 valuation allowance for deferred tax assets on common equity (excluding accumulated other comprehensive income (loss) and net operating loss carryforwards) is as follows (dollars in millions, except per share amounts):

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net income (loss) applicable to common stock | \$ (71.5) | \$ (5.8) | \$ (487.1) | \$ (182.0) | \$ (406.8) |
| Net realized investment (gains) losses, net of related amortization and taxes | 23.8 | 27.8 | 17.4 | 84.2 | 88.0 |
| Discontinued operations | 6.9 | (0.5) | 198.3 | 157.4 | 367.5 |
| Net operating income (loss) (a non-GAAP financial measure) | (40.8) | 21.5 | (271.4) | 59.6 | 48.7 |
| Valuation allowance for deferred tax assets | 68.0 | - | 298.0 | - | - |
| Net operating income before a Q4 2007 valuation allowance for deferred tax assets (a non-GAAP financial measure) | \$ 27.2 | \$ 21.5 | \$ 26.6 | \$ 59.6 | \$ 48.7 |
| Common shareholders' equity | \$ 4,235.9 | \$ 3,939.7 | \$ 3,382.1 | \$ 2,704.0 | \$ 1,664.2 |
| Less accumulated other comprehensive income (loss) | (273.3) | (565.6) | (639.2) | (1,137.7) | (1,770.7) |
| Common shareholder's equity, excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure) | 4,509.2 | 4,505.3 | 4,021.3 | 3,841.7 | 3,434.9 |
| Less net operating loss carryforwards | 1,426.7 | 1,435.1 | 1,137.2 | 1,121.7 | 1,048.4 |
| Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 3,082.5 | \$ 3,070.2 | \$ 2,884.1 | \$ 2,720.0 | \$ 2,386.5 |

(continued on next page)

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Information Related to Certain Non-GAAP Financial Measures

(continued from previous page)

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|--|-----------|-----------|-----------|-----------|-----------|
| Average common shareholders' equity | \$4,260.7 | \$4,087.8 | \$3,660.9 | \$3,043.1 | \$2,184.1 |
| Average common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$3,148.7 | \$3,076.4 | \$2,977.2 | \$2,802.1 | \$2,553.3 |
| Return on equity ratios: | | | | | |
| Return on common equity | -6.7% | -0.6% | -53.2% | -23.9% | -74.5% |
| Operating return less the valuation allowance for deferred tax assets on common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | 3.5% | 2.8% | 3.6% | 8.5% | 7.6% |

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of pretax operating earnings (a non-GAAP financial measure) to segment operating income (loss) and consolidated net income (loss) for the nine months ended December 31, 2008, is as follows (dollars in millions):

| | CIG | Bankers | Colonial Penn | Corporate and Discontinued Operations | Total |
|---|----------------|----------------|----------------|---|---------------------|
| Pretax operating earnings (a non-GAAP financial measure) | \$ 121.3 | \$ 171.5 | \$ 25.2 | \$ (64.7) | \$ 253.3 |
| Allocation of interest expense, excess capital and corporate expenses | (37.3) | (27.3) | (2.3) | 66.9 | - |
| Income tax (expense) benefit | (32.1) | (55.1) | (8.8) | (0.9) | (96.9) |
| Segment operating income (loss) | <u>\$ 51.9</u> | <u>\$ 89.1</u> | <u>\$ 14.1</u> | <u>\$ 1.3</u> | 156.4 |
| Net realized investment losses, net of related amortization and taxes | | | | | (217.4) |
| Discontinued operations | | | | | (722.7) |
| Valuation allowance for deferred tax assets | | | | | (298.0) |
| Net income | | | | | <u>\$ (1,081.7)</u> |

(Continued on next page)

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Information Related to Certain Non-GAAP Financial Measures

A reconciliation of common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to common shareholders' equity is as follows (dollars in millions):

(Continued from previous page)

| | CIG | Bankers | Colonial Penn | Corporate and Discontinued Operations | Total |
|--|-------------------|-------------------|-----------------|---|-------------------|
| December 31, 2007 | | | | | |
| Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 1,192.4 | \$ 1,299.8 | \$ 109.7 | \$ 480.6 | \$ 3,082.5 |
| Net operating loss carryforwards | 1,426.7 | - | - | - | 1,426.7 |
| Accumulated other comprehensive income (loss) | (106.7) | (106.7) | (4.1) | (55.8) | (273.3) |
| Allocation of capital | 464.7 | 433.3 | 36.5 | (934.5) | - |
| Common shareholders' equity | <u>\$ 2,977.1</u> | <u>\$ 1,626.4</u> | <u>\$ 142.1</u> | <u>\$ (509.7)</u> | <u>\$ 4,235.9</u> |
| December 31, 2008 | | | | | |
| Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 1,582.4 | \$ 1,232.1 | \$ 111.9 | \$ (539.9) | \$ 2,386.5 |
| Net operating loss carryforwards | 1,048.4 | - | - | - | 1,048.4 |
| Accumulated other comprehensive income (loss) | (824.7) | (817.9) | (41.4) | (86.7) | (1,770.7) |
| Allocation of capital | 526.9 | 410.7 | 37.3 | (974.9) | - |
| Common shareholders' equity | <u>\$ 2,333.0</u> | <u>\$ 824.9</u> | <u>\$ 107.8</u> | <u>\$ (1,601.5)</u> | <u>\$ 1,664.2</u> |

(Continued on next page)

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of average common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to average common shareholders' equity at December 31, 2008, is as follows (dollars in millions):

(Continued from previous page)

| | CIG | Bankers | Colonial Penn | Corporate and Discontinued Operations | Total |
|---|------------|------------|---------------|---|-------------------|
| Average common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 1,416.3 | \$ 1,247.3 | \$ 113.3 | \$ 75.3 | \$ 2,852.2 |
| Average net operating loss carryforwards | | | | | 1,232.9 |
| Average accumulated other comprehensive income (loss) | | | | | (841.1) |
| Average common shareholders' equity | | | | | <u>\$ 3,244.0</u> |
| Return on equity ratios: | | | | | |
| Return on equity | | | | | -33.3% |
| Operating return (less the Q4 2007 and Q2 2008 valuation allowance for deferred tax assets) on common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | 3.7% | 7.1% | 12.4% | NM | 5.5% |

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Information Related to Certain Non-GAAP Financial Measures

Debt to capital ratio, excluding accumulated other comprehensive income (loss)

This non-GAAP financial measure differs from the debt to capital ratio because accumulated other comprehensive income has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income. Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of the debt to capital ratio to debt to capital, excluding accumulated other comprehensive loss is as follows (dollars in millions):

| | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|---|------------|------------|------------|------------|------------|
| Corporate notes payable | \$ 1,193.7 | \$ 1,191.7 | \$ 1,189.7 | \$ 1,187.6 | \$ 1,328.7 |
| Total shareholders' equity | 4,235.9 | 3,939.7 | 3,382.1 | 2,704.0 | 1,664.2 |
| Total capital | 5,429.6 | 5,131.4 | 4,571.8 | 3,891.6 | 2,992.9 |
| Less accumulated other comprehensive loss | 273.3 | 565.6 | 639.2 | 1,137.7 | 1,770.7 |
| Total capital, excluding accumulated other comprehensive loss (a non-GAAP financial measure) | \$ 5,702.9 | \$ 5,697.0 | \$ 5,211.0 | \$ 5,029.3 | \$ 4,763.6 |
| Corporate notes payable | \$ 1,193.7 | \$ 1,191.7 | \$ 1,189.7 | \$ 1,187.6 | \$ 1,328.7 |
| Corporate notes payable to capital ratios: | | | | | |
| Corporate debt to total capital | 22.0% | 23.2% | 26.0% | 30.5% | 44.4% |
| Corporate debt to total capital, excluding accumulated other comprehensive loss (a non-GAAP financial measure) | 20.9% | 20.9% | 22.8% | 23.6% | 27.9% |