

CNO FINANCIAL GROUP, INC.

FORM 8-K (Current report filing)

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Sector	Financial
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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): November 12, 2008

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 2.01. Completion of Acquisition or Disposition of Assets.

On November 12, 2008, Consecro Inc. (the "Company") announced that it completed the previously announced transfer of Senior Health Insurance Company of Pennsylvania, formerly known as Consecro Senior Health Insurance Company ("Senior Health"), to Senior Health Care Oversight Trust, an independent trust (the "Trust"). In connection with the completion of the transfer, Consecro contributed \$175 million to the capital of Senior Health and the Trust, as follows:

- o A 6% Senior Note due 2013 in the principal amount of \$125 million, the principal of which is payable in five equal annual installments.
- o A contribution of \$11 million to the Trust to provide working capital and to fund future operating expenses of the Trust.
- o Cash and cash equivalents of \$39 million, including a ceding commission of \$35.7 million paid by Consecro Life Insurance Company, in connection with the assignment by Senior Health of its non-long term care business to Consecro Life Insurance Company.

The transaction was subject to approval by the Pennsylvania Insurance Department, which issued its order approving the transfer of ownership on November 12, 2008. A copy of the Company's press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

CONSECO, INC. AND SUBSIDIARIES PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated statement of operations of Consecro for the nine months ended September 30, 2008, and for the year ended December 31, 2007, presents the consolidated operating results for Consecro as if the transfer (the "Transfer") of the stock of Senior Health Insurance Company of Pennsylvania ("Senior Health", formerly known as Consecro Senior Health Insurance Company prior to its name change in October 2008) to an independent trust had occurred on January 1, 2007. The unaudited pro forma consolidated balance sheet of Consecro as of September 30, 2008, gives effect to the Transfer as if it had occurred on September 30, 2008.

CONSECO, INC. AND SUBSIDIARIES PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

for the nine months ended September 30, 2008

(Dollars in millions, except per share data)

	As reported -----	Adjustments relating to the Transfer -----	Pro forma -----
Revenues:			
Insurance policy income.....	\$2,634.1	\$ (197.2) (1)	\$2,436.9
Net investment income (loss):			
General account assets.....	1,069.3	(134.6) (1) (2.1) (2)	932.6
Policyholder and reinsurer accounts and other special-purpose portfolios.....	(71.9)	-	(71.9)
Net realized investment losses.....	(549.5)	382.2 (1)	(167.3)
Fee revenue and other income.....	13.8	-	13.8
	-----	-----	-----
Total revenues.....	3,095.8	48.3	3,144.1
	-----	-----	-----
Benefits and expenses:			
Insurance policy benefits.....	2,639.6	(259.0) (1)	2,380.6
Interest expense.....	74.1	4.5 (3)	78.6
Amortization.....	303.5	(14.6) (1)	288.9
Gain on reinsurance recapture.....	(30.5)	29.7 (1)	(.8)
Other operating costs and expenses.....	434.3	(44.0) (1)	390.3
	-----	-----	-----
Total benefits and expenses.....	3,421.0	(283.4)	3,137.6
	-----	-----	-----
Loss before income taxes.....	(325.2)	331.7	6.5
Income tax expense (benefit):			
Tax benefit on period income.....	(111.5)	116.1 (4)	4.6
Valuation allowance for deferred tax assets.....	461.2	(431.2) (5)	30.0
	-----	-----	-----
Net income (loss) applicable to common stock.....	\$ (674.9)	\$ 646.8	\$ (28.1)
	=====	=====	=====
Loss per common share:			
Basic:			
Weighted average shares outstanding.....	184.7		184.7
	=====		=====
Net loss.....	\$ (3.65)		\$ (.15)
	=====		=====
Diluted:			
Weighted average shares outstanding.....	184.7		184.7
	=====		=====
Net loss.....	\$ (3.65)		\$ (.15)
	=====		=====

The accompanying notes are an integral part of the pro forma consolidated financial statements.

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 2007
(Dollars in millions, except per share data)

	As reported -----	Adjustments relating to the Transfer -----	Pro forma -----
Revenues:			
Insurance policy income.....	\$3,167.3	\$(271.6) (1)	\$2,895.7
Net investment income (loss):			
General account assets.....	1,517.3	(166.8) (1) (3.9) (2)	1,346.6
Policyholder and reinsurer accounts and other special-purpose portfolios.....	19.3	-	19.3
Net realized investment losses	(155.4)	(2.6) (1)	(158.0)
Fee revenue and other income.....	23.8	-	23.8
	-----	-----	-----
Total revenues.....	4,572.3	(444.9)	4,127.4
	-----	-----	-----
Benefits and expenses:			
Insurance policy benefits.....	3,433.7	(517.8) (1)	2,915.9
Interest expense.....	117.3	7.5 (3)	124.8
Amortization.....	449.3	(22.5) (1)	426.8
Costs related to a litigation settlement.....	64.4	-	64.4
Loss related to an annuity coinsurance transaction.....	76.5	-	76.5
Other operating costs and expenses.....	604.1	(63.7) (1)	540.4
	-----	-----	-----
Total benefits and expenses.....	4,745.3	(596.5)	4,148.8
	-----	-----	-----
Income (loss) before income taxes.....	(173.0)	151.6	(21.4)
Income tax expense (benefit):			
Tax expense (benefit) on period income.....	(61.1)	53.1 (4)	(8.0)
Valuation allowance for deferred tax assets.....	68.0	-	68.0
	-----	-----	-----
Net income (loss).....	(179.9)	98.5	(81.4)
Preferred stock dividends.....	14.1	-	14.1
	-----	-----	-----
Net income (loss) applicable to common stock.....	\$ (194.0)	\$ 98.5	\$ (95.5)
	=====	=====	=====
Earnings (loss) per common share:			
Basic:			
Weighted average shares outstanding.....	173.4		173.4
	=====		=====
Net income (loss).....	\$(1.12)		\$(.55)
	=====		=====
Diluted:			
Weighted average shares outstanding.....	173.4		173.4
	=====		=====
Net income (loss).....	\$(1.12)		\$(.55)
	=====		=====

The accompanying notes are an integral part of the pro forma consolidated financial statements.

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
as of September 30, 2008
(Dollars in millions)

ASSETS

	As reported	Adjustments relating to the Transfer	Pro forma
	-----	-----	-----
Total investments.....	\$22,044.9	\$(2,588.4) (6)	\$19,456.5
Cash and cash equivalents - unrestricted.....	352.3	(44.4) (6)	230.9
		(77.0) (7)	
Cash and cash equivalents - restricted.....	12.0	- (6)	12.0
Accrued investment income.....	351.5	(44.8) (6)	306.7
Value of policies inforce at the Effective Date.....	1,631.1	(137.4) (6)	1,493.7
Cost of policies produced.....	1,859.0	-	1,859.0
Reinsurance receivables.....	3,412.4	(108.5) (6)	3,303.9
Income tax assets, net.....	2,042.8	(263.2) (8)	1,779.6
Assets held in separate accounts.....	22.0	-	22.0
Other assets.....	333.7	(7.1) (6)	326.6
	-----	-----	-----
Total assets.....	\$32,061.7	\$(3,270.8)	\$28,790.9
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:			
Liabilities for insurance products.....	\$26,901.6	\$(2,989.6) (6)	\$23,912.0
Other liabilities.....	444.6	(13.1) (6)	431.5
Investment borrowings.....	823.9	-	823.9
Notes payable - direct corporate obligations.....	1,187.6	125.0 (9)	1,312.6
	-----	-----	-----
Total liabilities.....	29,357.7	(2,877.7)	26,480.0
	-----	-----	-----
Commitments and Contingencies			
Shareholders' equity:			
Common stock.....	1.9	-	1.9
Additional paid-in capital.....	4,076.0	-	4,076.0
Accumulated other comprehensive loss.....	(1,137.7)	-	(1,137.7)
Retained earnings (accumulated deficit).....	(236.2)	(393.1) (10)	(629.3)
	-----	-----	-----
Total shareholders' equity.....	2,704.0	(393.1)	2,310.9
	-----	-----	-----
Total liabilities and shareholders' equity.....	\$32,061.7	\$(3,270.8)	\$28,790.9
	=====	=====	=====

The accompanying notes are an integral part of the pro forma consolidated financial statements.

CONSECO AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

On November 12, 2008, Consecos and CDOC, Inc. ("CDOC"), a wholly owned subsidiary of Consecos (and together with Consecos, the "Consecos Parties"), completed the transfer of the stock of Senior Health to Senior Health Care Oversight Trust, an independent trust (the "Independent Trust") for the exclusive benefit of Consecos Senior's long-term care policyholders. Consummation of the transaction was subject to the approval of the Pennsylvania Insurance Department.

In addition to the transfer of the Senior Health stock, the Consecos Parties contributed \$175 million of additional capital to Senior Health and the Independent Trust. The \$175.0 million capital contribution consisted of cash and cash equivalents of \$50 million and a note payable of \$125.0 million. The note has a five-year maturity date; a 6 percent interest rate; and requires annual principal payments of \$25.0 million. As a condition of the order from the Pennsylvania Insurance Department approving the Transfer, Consecos agreed that it would not pay cash dividends on its common stock while any portion of the \$125 million note remained outstanding.

The Company is currently evaluating the requirements of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" to determine whether Senior Health will be reported as a discontinued operation in financial statements prepared after November 12, 2008.

Adjustments to the pro forma consolidated statement of operations to give effect to the Transfer as of January 1, 2007, are summarized below:

- (1) Such amount reflects the impact of the long-term care business being transferred to the Independent Trust.
- (2) Net investment income is adjusted to reflect the income lost as a result of a \$50 million capital contribution to the Independent Trust and Senior Health and \$27 million of assumed transaction expenses. Net investment income in the 2008 period is further adjusted to reflect a \$25 million payment on the note payable.
- (3) Interest expense in 2007 is adjusted to reflect additional interest expense on the \$125 million note payable at an assumed interest rate of 6 percent. Interest expense in the 2008 period also reflects a \$25 million payment on the note payable.
- (4) Reflects the tax adjustment for the pro forma adjustments at the approximate rate for the specific item.
- (5) Reduces the deferred tax valuation allowance previously recognized as a result of the Transfer transactions.

Adjustments to the pro forma consolidated balance sheet to give effect to the Transfer as of September 30, 2008, are summarized below:

- (6) Such amount reflects the impact of the long-term care business being transferred to the Independent Trust.
- (7) Cash and cash equivalents are adjusted to reflect a \$50 million capital contribution to the Independent Trust and Senior Health and \$27 million of assumed transaction expenses.
- (8) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. Deferred tax assets are netted against deferred tax liabilities.
- (9) Notes payable are increased to reflect the issuance of a \$125 million note payable to Senior Health.
- (10) Amount represents the additional loss expected to be recognized subsequent to September 30, 2008 (after the completion of the Transfer).

(d) Exhibits.

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

99.1 Press release of Consecro, Inc. dated November 12, 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.

November 13, 2008

By: */s/ John R. Kline*

John R. Kline
Senior Vice President and
Chief Accounting Officer

NEWS

For Release Immediate

Contacts (News Media) Jim Rosensteele, Corporate Communications 317.817.6363 (Investors) Scott Galovic, Investor Relations 317.817.3228

Conseco Completes Transfer of Senior Health Insurance Company of Pennsylvania to Independent Trust

Carmel, Ind. November 12, 2008 - Conseco, Inc. (NYSE: CNO) announced today that it completed the previously announced transfer of Senior Health Insurance Company of Pennsylvania, formerly known as Conseco Senior Health Insurance Company ("Senior Health"), to Senior Health Care Oversight Trust, an independent trust (the "Trust"). In connection with the completion of the transfer, Conseco contributed \$175 million to the capital of Senior Health and the Trust, as follows:

- o A 6% Senior Note due 2013 in the principal amount of \$125 million, the principal of which is payable in five equal annual installments.
- o A contribution of \$11 million to the Trust to provide working capital and to fund future operating expenses of the Trust.
- o Cash and cash equivalents of \$39 million, including a ceding commission of \$35.7 million paid by Conseco Life Insurance Company, in connection with the assignment by Senior Health of its non-long term care business to Conseco Life Insurance Company.

The transaction was subject to approval by the Pennsylvania Insurance Department, which issued its order approving the transfer of ownership earlier today.

"The completion of this transfer and the formation of the independent trust is a balanced solution for all of Conseco's constituents and Senior Health's long-term care policyholders," Conseco CEO Jim Prieur said. "The trust will operate Senior Health for the exclusive benefit of the policyholders, without a profit motive, and will be governed by a highly qualified board of trustees under the oversight of the Pennsylvania Insurance Department. In addition, we expect that Conseco will benefit from both reduced earnings volatility and better allocation of management resources on its core businesses going forward."

As previously announced, Conseco expects to record accounting charges of approximately \$1.1 billion related to the transaction, of which \$503.7 million was recognized in the second quarter of 2008, \$155.0 million was recognized in the third quarter of 2008, and approximately \$400 million is expected to be recognized in the fourth quarter of 2008.

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.

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Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in these materials relative to markets for Consecos products and trends in Consecos 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; (ii) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (iii) 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; (iv) changes in our assumptions related to the cost of policies produced or the value of policies in force at the effective date of our emergence from bankruptcy; (v) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (vi) changes in accounting principles and the interpretation thereof; (vii) 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; (viii) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (ix) 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; (x) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xi) 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; (xii) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xiii) our ability to achieve eventual upgrades of the financial strength ratings of Consecos and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xiv) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xv) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xvi) 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 (xvii) 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.

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