

CNO FINANCIAL GROUP, INC.

FORM 8-K (Current report filing)

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Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
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Symbol	CNO
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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): May 11, 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 May 11, 2009, Conseco Inc. (the "Company") issued a press release announcing its financial results for the quarter ended March 31, 2009, 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 March 31, 2009, 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 May 11, 2009 related to financial results for the quarter ended March 31, 2009.

99.2 First Quarter 2009 Financial and Operating Results for the period ended March 31, 2009.

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.

May 11, 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 reports first quarter 2009 net income of \$24.5 million vs. net loss in year-earlier quarter; Operating earnings per share up 55% over first quarter 2008

Carmel, Ind. May 11, 2009 - Conseco, Inc. (NYSE: CNO) today reported results for first quarter 2009. "We are pleased to report operating earnings of 17 cents per share," CEO Jim Prieur said. "Conseco showed continued improvement and profitability in all three insurance businesses for the first quarter, which is a seasonally low quarter for our earnings. Core sales increased by 4% overall. We set records in the quarter for new agent contracts in our wholly owned distribution channels, and new agency appointments rose 73% in our independent channel, all key to future sales growth."

First Quarter 2009 Results

- o Total New Annualized Premium ("NAP") excluding Private-Fee-For-Service ("PFFS") (1): \$87.5 million, up 4% from 1Q08
- o PFFS NAP (which we sell through a marketing agreement with Coventry): \$34.1 million, down 53 percent from 1Q08, reflecting new CMS marketing restrictions and a more conservative sales recognition policy
- o \$72.3 million of income before net realized investment losses, discontinued operations resulting from the transfer of Senior Health Insurance Company of Pennsylvania (the "Transfer") to an independent trust, corporate interest and taxes ("EBIT") (2), up 46%, compared to \$49.4 million in 1Q08
- o Net operating income (3) of \$31.4 million, up 56%, compared to \$20.1 million in 1Q08
- o Net operating income per diluted share: 17 cents, up 55%, compared to 11 cents in 1Q08
- o Net income of \$24.5 million, compared to a net loss of \$7.2 million in 1Q08 (including \$6.9 million of net realized investment losses in 1Q09 vs. \$27.3 million of net realized investment losses and income related to discontinued operations in 1Q08)
- o Net income per diluted share of 13 cents, compared to a net loss per diluted share of 4 cents in 1Q08 (including 4 cents of net realized investment losses in 1Q09 vs. 15 cents of net realized investment losses and income related to discontinued operations in 1Q08)

Financial Strength at March 31, 2009

- o Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$18.57, up 1%, compared to \$18.41 at December 31, 2008
- o Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 27.6%, compared to 27.8% at December 31, 2008

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Operating Results

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

	Three Months Ended March 31,	
	2009	2008
	-----	-----
EBIT (2):		
Bankers Life.....	\$ 44.7	\$ 29.1
Colonial Penn.....	5.1	3.7
Conseco Insurance Group.....	31.2	23.3
Corporate Operations, excluding corporate interest expense.....	(8.7)	(6.7)
	-----	-----
EBIT.....	72.3	49.4
Corporate interest expense.....	(13.7)	(18.5)
Expenses related to debt modification.....	(9.5)	-
	-----	-----
Income before net realized investment losses, taxes and discontinued operations.....	49.1	30.9
Tax expense on period income.....	17.7	10.8
	-----	-----
Net operating income.....	31.4	20.1
Net realized investment losses (net of related amortization and taxes).....	(6.9)(5)(6)	(27.8)
	-----	-----
Net income (loss) before discontinued operations.....	24.5	(7.7)
Discontinued operations.....	-	.5
	-----	-----
Net income (loss).....	\$ 24.5	\$ (7.2)
	=====	=====
Per diluted share:		
Net income before net realized investment losses and discontinued operations...	\$.17	\$.11
Net realized investment losses, net of related amortization and taxes.....	(.04)	(.15)
Discontinued operations.....	-	-
	-----	-----
Net income (loss).....	\$.13	\$ (.04)
	=====	=====

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Segment Results In our Bankers Life segment, pre-tax operating earnings were \$44.7 million in the first quarter of 2009, up 54%, compared to \$29.1 million in the first quarter of 2008. Results for the first quarter of 2009 were primarily affected by:

- o an increase in earnings of approximately \$11 million from the long-term care block resulting from the release of liabilities for insurance products on lapsed policies and policy owner elected benefit reductions following recent rate increase actions, partially offset by an increase in incurred claims;
- o an increase in earnings of approximately \$5 million from equity-indexed annuity products primarily resulting from the change in the value of the embedded derivative related to future indexed benefits reported at estimated fair value;
- o an increase in earnings of approximately \$5 million from fixed annuity products resulting from lower surrenders of these policies; and
- o a decrease in earnings of approximately \$6 million from Medicare supplement products resulting from higher benefits ratios partially offset by lower amortization of insurance intangibles due to lower policy lapses.

In our Colonial Penn segment, the pre-tax operating earnings were \$5.1 million in the first quarter of 2009, up 38%, compared to \$3.7 million in the first quarter of 2008. Results for the first quarter of 2009 were primarily affected by favorable mortality on Colonial Penn's life block.

In our Conseco Insurance Group segment, pre-tax operating earnings were \$31.2 million in the first quarter of 2009, up 34%, compared to \$23.3 million in the first quarter of 2008. Significant factors affecting the segment's earnings in these periods included:

- o an increase in earnings of approximately \$8 million in the first quarter of 2009 when compared to 2008 due to an unlocking adjustment made in the first quarter of 2008;
- o an increase in earnings of approximately \$5.5 million in the first quarter of 2009 from specified disease and Medicare supplement policies primarily resulting from favorable development of year-end claim reserves; and
- o a decrease in earnings of approximately \$3 million in the first quarter of 2009 due to increased surrenders of certain equity-indexed products with market value adjustment features (which have the effect of reducing related surrender charges).

The Corporate Operations segment includes our investment advisory subsidiary and corporate expenses. As previously reported, we completed an amendment to our Second Amended Credit Facility on March 30, 2009. We incurred fees and expenses of \$9.5 million in conjunction with the amendment; these expenses were recognized in the first quarter of 2009.

Investments

During the first quarter of 2009, we elected to adopt two new Staff Positions issued by the Financial Accounting Standards Board in April 2009: (i) FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments;" and (ii) FSP FAS 157-4 "Determining Fair Value when Volume and Level of Activity for the Asset or Liability have Significantly Decreased and Identifying Transactions That Are Not Orderly." The first of the two adopted Staff Positions had an effect on the other-than-temporary investment losses we recognized in the first quarter of 2009, because the guidance required the allocation of such losses between earnings and accumulated other comprehensive income (loss).

Conseco recognized total other-than-temporary impairment losses of \$108.1 million in the first quarter of 2009, of which \$92.0 million was recorded in earnings and \$16.1 million was recorded in accumulated other comprehensive loss in accordance with the new accounting pronouncement.

Net realized investment losses in the first quarter of 2009 of \$6.9 million (net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses) included: (i) \$85.1 million of net gains from the sales of investments; net of (ii) \$92.0 million of other-than-temporary impairment losses recognized in earnings (including losses from sales of investments after the end of the quarter). Such net realized investment losses include a deferred tax valuation allowance of \$2.4 million, as it is more likely than not that tax benefits related to investment losses recognized in the first quarter of 2009 will not be utilized to offset future taxable income. Net realized investment losses in the first quarter of 2008 of \$27.8 million (net of related amortization and taxes) included \$41.3 million of writedowns for securities we determined were subject to other-than-temporary declines in market values.

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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 1Q09 was \$94.5 million, down 18% from 1Q08 (total NAP, excluding PFFS, was \$60.4 million, up 9 percent from 1Q08).

At Colonial Penn (direct distribution), total NAP was \$12.3 million, down 29% from 1Q08. Excluding 1Q08 sales of \$4.7 million from a PFFS test marketing program that was subsequently terminated, total NAP was down 4%.

At Conseco Insurance Group (independent distribution), total NAP was \$14.8 million, down 10% from 1Q08 as sales continue to be repositioned to more profitable products.

Accounting Matters

Results for the first quarter of 2008 have been restated to reflect the operations of Senior Health Insurance Company of Pennsylvania as a discontinued operation resulting from the Transfer which was completed in the fourth quarter of 2008.

Effective January 1, 2009, we adopted FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 was required to be retrospectively applied to all periods presented. The impact on the first quarter of 2008, was to reduce previously reported earnings by \$1.4 million, net of income taxes, or 1 cent per diluted share.

Conference Call

The company will host a conference call to discuss results today at 10:00 a.m. Eastern Daylight Time. 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 this 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 \$210 per enrolled policy (\$200 in 2008), PFFS sales equal \$2,320 per enrolled policy (\$2,250 in 2008).

(2) Management believes that an analysis of earnings or loss before net realized investment gains (losses), discontinued operations, 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 table on page 2.

(3) Management believes that an analysis of Net income (loss) applicable to common stock before net realized investment gains or losses, discontinued operations, 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 table on page 2. 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.

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(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 45.2% and \$8.61, respectively, at March 31, 2009, and 44.6% and \$8.82, respectively, at December 31, 2008.

(5) Such amount includes a deferred tax valuation allowance of \$2.4 million as it is more likely than not that tax benefits related to investment losses recognized in the first quarter of 2009 will not be utilized to offset future taxable income.

(6) Such amount excludes the portion of impairment losses on actively managed fixed maturities recognized in other comprehensive loss (net of related amortization and taxes) of \$8.7 million for the three months ended March 31, 2009 (in accordance with the new accounting pronouncement, which we adopted effective January 1, 2009).

Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in this press release 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 existing indebtedness and the cost of doing so; (ii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (iii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (iv) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (v) the receipt of required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (vi) 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; (vii) 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; (viii) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (ix) changes in accounting principles and the interpretation thereof; (x) 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, (xi) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xii) 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; (xiii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xiv) our ability to complete the remediation of the material weakness in internal controls over our actuarial reporting process and to maintain effective controls over financial reporting; (xv) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xvi) 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 ratings downgrades on our business; (xvii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xviii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends and surplus debenture interest 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
CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	March 31, 2009 ----	December 31, 2008 ----
	(unaudited)	(as adjusted)
ASSETS		
Investments:		
Actively managed fixed maturities at fair value (amortized cost: March 31, 2009 - \$18,538.0; December 31, 2008 - \$18,276.3).....	\$15,396.8	\$15,277.0
Equity securities at fair value (cost: March 31, 2009 - \$30.7; December 31, 2008 - \$31.0).....	32.5	32.4
Mortgage loans.....	2,140.5	2,159.4
Policy loans.....	361.3	363.5
Trading securities.....	280.3	326.5
Securities lending collateral.....	243.9	393.7
Other invested assets	101.6	95.0
	-----	-----
Total investments.....	18,556.9	18,647.5
Cash and cash equivalents - unrestricted.....	769.6	894.5
Cash and cash equivalents - restricted.....	4.5	4.8
Accrued investment income.....	312.5	298.7
Value of policies inforce at the Effective Date.....	1,425.5	1,477.8
Cost of policies produced.....	1,874.5	1,812.6
Reinsurance receivables.....	3,155.3	3,284.8
Income tax assets, net.....	2,068.6	2,047.7
Assets held in separate accounts.....	17.0	18.2
Other assets.....	322.9	276.7
	-----	-----
Total assets.....	\$28,507.3	\$28,763.3
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Liabilities for insurance products:		
Interest-sensitive products.....	\$13,215.3	\$13,332.8
Traditional products.....	9,864.3	9,828.7
Claims payable and other policyholder funds.....	987.8	1,008.4
Liabilities related to separate accounts.....	17.0	18.2
Other liabilities.....	506.5	457.4
Investment borrowings.....	758.3	767.5
Securities lending payable.....	256.4	408.8
Notes payable - direct corporate obligations.....	1,310.5	1,311.5
	-----	-----
Total liabilities.....	26,916.1	27,133.3
	-----	-----
Commitments and Contingencies		
Shareholders' equity:		
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: March 31, 2009 - 184,758,758; December 31, 2008 - 184,753,758.....	1.9	1.9
Additional paid-in capital.....	4,105.6	4,104.0
Accumulated other comprehensive loss.....	(1,840.5)	(1,770.7)
Accumulated deficit.....	(675.8)	(705.2)
	-----	-----
Total shareholders' equity.....	1,591.2	1,630.0
	-----	-----
Total liabilities and shareholders' equity.....	\$28,507.3	\$28,763.3
	=====	=====

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CONSECO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions, except per share data)

(unaudited)

	Three months ended March 31,	
	2009	2008
	(as adjusted)	
Revenues:		
Insurance policy income.....	\$ 782.8	\$ 785.1
Net investment income (loss):		
General account assets.....	308.6	310.0
Policyholder and reinsurer accounts and other special-purpose portfolios.....	(18.0)	(26.0)
Net realized investment gains (losses), excluding impairment losses.....	85.1	(4.3)
Other-than-temporary impairment losses (1).....	(92.0)	(41.3)
Fee revenue and other income.....	3.0	4.0
	-----	-----
Total revenues.....	1,069.5	1,027.5
	-----	-----
Benefits and expenses:		
Insurance policy benefits.....	753.5	767.7
Interest expense.....	23.2	30.8
Amortization.....	120.8	109.8
Expenses related to debt modification.....	9.5	-
Other operating costs and expenses.....	120.3	131.1
	-----	-----
Total benefits and expenses.....	1,027.3	1,039.4
	-----	-----
Income (loss) before income taxes and discontinued operations.....	42.2	(11.9)
Income tax expense (benefit):		
Tax expense (benefit) on period income.....	15.3	(4.2)
Valuation allowance for deferred tax assets.....	2.4	-
	-----	-----
Income (loss) before discontinued operations.....	24.5	(7.7)
Discontinued operations, net of income taxes.....	-	.5
	-----	-----
Net income (loss).....	\$ 24.5	\$ (7.2)
	=====	=====
Earning (loss) per common share:		
Basic:		
Weighted average shares outstanding.....	184,754,000	184,653,000
	=====	=====
Income (loss) before discontinued operations.....	\$.13	\$ (.04)
Discontinued operations.....	-	-
	-----	-----
Net income (loss).....	\$.13	\$ (.04)
	=====	=====
Diluted:		
Weighted average shares outstanding.....	184,756,000	184,653,000
	=====	=====
Income (loss) before discontinued operations.....	\$.13	\$ (.04)
Discontinued operations.....	-	-
	-----	-----
Net income (loss).....	\$.13	\$ (.04)
	=====	=====

(1) The 2009 amount represents gross other-than-temporary impairments of \$108.1 million less \$16.1 million, which was recognized in other comprehensive loss.

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

	Three months ended March 31,	
	2009	2008
Bankers Life segment:		
Annuity.....	\$302.1	\$228.7
Supplemental health.....	423.8	435.5
Life.....	48.9	48.0
Total collected premiums.....	\$774.8	\$712.2
Colonial Penn segment:		
Life.....	\$ 47.0	\$ 42.9
Supplemental health.....	1.9	2.3
Total collected premiums.....	\$ 48.9	\$ 45.2
Conseco Insurance Group segment:		
Annuity.....	\$ 19.5	\$ 41.6
Supplemental health.....	146.2	158.5
Life.....	64.4	71.9
Total collected premiums.....	\$230.1	\$272.0

BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

	Three Months Ended March 31,	
	2009	2008
Bankers Life segment:		
Medicare Supplement:		
Earned premium.....	\$165 million	\$161 million
Benefit ratio(a).....	70.2%	64.6%
PDP and PFFS:		
Earned premium.....	\$123 million	\$119 million
Benefit ratio(a).....	94.4%	93.9%
Long-Term Care:		
Earned premium.....	\$151 million	\$156 million
Benefit ratio(a).....	105.1%	111.6%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	68.6%	79.0%
Conseco Insurance Group (CIG) segment:		
Medicare Supplement:		
Earned premium.....	\$47 million	\$54 million
Benefit ratio(a).....	67.3%	65.8%
Specified Disease:		
Earned premium.....	\$94 million	\$92 million
Benefit ratio(a).....	76.0%	81.7%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	42.2%	48.1%
Long-Term Care:		
Earned premium.....	\$8 million	\$9 million
Benefit ratio(a).....	210.1%	136.4%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	132.0%	66.4%

(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®

First Quarter 2009 Financial and Operating Results For the period ended March 31, 2009

Conseco, Inc.

May 11, 2009

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 existing indebtedness and the cost of doing so; (ii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (iii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (iv) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (v) the receipt of required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (vi) 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; (vii) 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; (viii) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (ix) changes in accounting principles and the interpretation thereof; (x) 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; (xi) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xii) 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; (xiii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xiv) our ability to complete the remediation of the material weakness in internal controls over our actuarial reporting process and to maintain effective controls over financial reporting; (xv) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xvi) 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; (xvii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xviii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends and surplus debenture interest 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.

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.

3

Q1 2009 Summary

CNO

- **Continued profitability in all three insurance segments, with total Q1 2009 EBIT of \$72.3 million**
- **Core sales* of \$87.5 million, up 4% over Q1 2008**
- **Trailing four-quarter premium up 12% over a year ago**
- **Strong growth in agent recruiting**
 - Bankers
 - 22% YTD growth in new agents, a record-setting quarter
 - CIG
 - PMA – record recruiting quarter: agent count up to 477; increase in average agent production
 - CIG Sales – signed 52 IMO's in Q1 2009; new producing worksite agents increased by 61%, to 358

*Excludes PFFS.

Q1 2009 Summary

CNO

- **Net realized investment losses of \$6.9 million**
 - Total other-than-temporary impairment losses of \$108.1 million
 - \$92.0 million recorded in earnings
 - \$16.1 million recorded in accumulated other comprehensive loss
- **Accumulated other comprehensive loss increased by \$69.8 million in Q1 2009**
- **Book value per share (excluding accumulated other comprehensive loss)* rose to \$18.57 at 3/31/09 from \$18.41 at 12/31/08**

*See Appendix for corresponding GAAP measure.

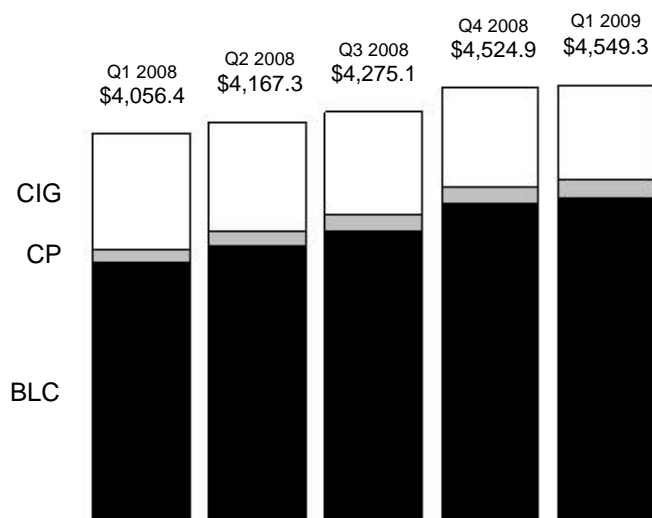
Collected Premiums

CNO

(\$ millions)

Collected Premiums-Trailing 4 Quarters

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



Q1 2009 Summary of Results

CNO

(\$ millions, except per-share amounts)

	Pre-Tax	After Tax	EPS
Bankers Life	\$44.7		
Colonial Penn	5.1		
Conseco Insurance Group	31.2		
Corporate operations, interest expense and expenses related to debt modification	<u>(31.9)</u>		
Income before net realized investment losses*	49.1	\$31.4	\$0.17 **
Net realized investment losses	<u>(6.9)</u>	<u>(6.9)</u>	<u>(0.04)</u>
Total	<u>\$42.2</u>	<u>\$24.5</u>	<u>\$0.13</u>

*Management believes that an analysis of earnings before net realized investment gains (losses) and increases to our valuation allowance for deferred tax assets (a non-GAAP financial measure) provides an alternative measure of the operating results of the company because such items are unrelated to the company's continuing operations. The table above provides a reconciliation to the corresponding GAAP measure.

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

7

Q1 Earnings

CNO Consolidated

(\$ millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Bankers Life	\$29.1	\$34.6	\$67.8	\$40.0	\$44.7
Colonial Penn	3.7	8.3	6.5	6.7	5.1
Conseco Insurance Group	23.3	32.3	34.2	31.5	31.2
Corporate operations, excluding interest expense	<u>(6.7)</u>	<u>(16.2)</u>	<u>(3.7)</u>	<u>(0.1)</u>	<u>(8.7)</u>
Total EBIT*	49.4	59.0	104.8	78.1	72.3
Corporate interest expense	<u>(18.5)</u>	<u>(16.1)</u>	<u>(15.8)</u>	<u>(17.5)</u>	<u>(13.7)</u>
Gain on extinguishment of debt	0.0	0.0	0.0	21.2	0.0
Expenses related to debt modification	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(9.5)</u>
Income before net realized investment losses, taxes and discontinued operations	30.9	42.9	89.0	81.8	49.1
Tax expense on period income	<u>10.8</u>	<u>17.7</u>	<u>30.7</u>	<u>34.6</u>	<u>17.7</u>
Net operating income	20.1	25.2	58.3	47.2	31.4
Net realized investment losses	<u>(27.8)</u>	<u>(17.4)</u>	<u>(84.2)</u>	<u>(88.0)</u>	<u>(6.9)</u>
Net income (loss) before valuation allowance for deferred tax assets and discontinued operations	<u>(7.7)</u>	7.8	<u>(25.9)</u>	<u>(40.8)</u>	24.5
Valuation allowance for deferred tax assets	0.0	(298.0)	0.0	(45.0)	0.0
Discontinued operations	<u>0.5</u>	<u>(198.3)</u>	<u>(157.4)</u>	<u>(367.5)</u>	<u>0.0</u>
Net income (loss)	<u>(\$7.2)</u>	<u>(\$488.5)</u>	<u>(\$183.3)</u>	<u>(\$453.3)</u>	<u>\$24.5</u>

*Management believes that an analysis of earnings before net realized investment gains (losses), losses related to the transfer of Senior Health to an independent trust (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) items that are unrelated to the company's continuing operations. The table above provides a reconciliation of EBIT to net income (loss).

Operating ROE

CNO

Operating ROE*, Trailing 4 Quarters



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

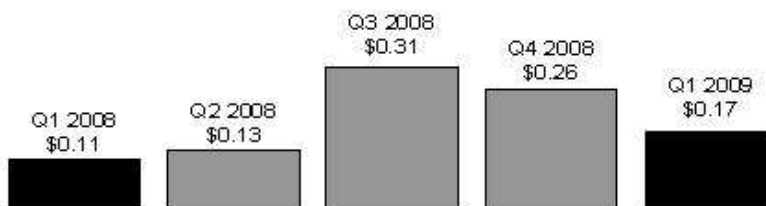


*Operating return excludes net realized investment gains (losses), valuation allowance related to deferred tax assets and discontinued operations. Equity excludes accumulated other comprehensive income (loss) and the value of net operating loss carryforwards, and assumes conversion of preferred stock. 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.

Operating EPS*

CNO



Seasonality of	Q1	Q2	Q3	Q4	Q1
Operating EPS**	17-22%	20-25%	23-28%	26-31%	17-22%

*Operating earnings per share exclude net realized investment gains (losses), valuation allowance related to deferred tax assets and discontinued operations. See Appendix for corresponding GAAP measure.

**Represents the expected ratio of quarterly Operating EPS to annual Operating EPS, based on historical experience.

Key Debt Covenants

CNO

(\$ millions)

	<u>Q4 2008</u>	<u>Q1 2009</u>	<u>Covenant Margins as of 3/31/09</u>
Bank Covenant Debt/Capital Ratio*			
Covenant Maximum	30.0%	32.5%	Reduction to shareholders' equity of approximately \$672 million or additional debt of \$324 million.
Actual	28.3%	27.9%	
Interest Coverage			
Covenant Minimum	2.00X	1.50X	Reduction in cash flows to the holding company of approximately \$80 million.
Actual	2.35X	3.07X	
Statutory Capital			
Covenant Minimum	\$1,270	\$1,100 **	Reduction to combined statutory capital and surplus of approximately \$201 million.
Actual	\$1,366	\$1,301	
RBC Ratio			
Covenant Minimum	250%	200% **	Reduction to statutory capital and surplus of approximately \$169 million, or an increase to the risk-based capital of approximately \$85 million.
Actual	255%	230%	

*Excludes Accumulated Other Comprehensive Income (Loss).

**Preliminary.

11

Liquidity Projection For Remainder of 2009

CNO

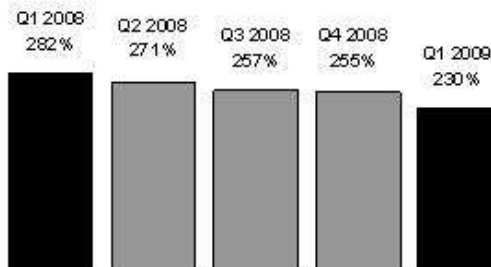
(\$ millions)

Cash Balance 3/31/09	\$104.3
Sources	
Dividends	\$60.0
Surplus Debenture Interest	34.3
Management and Investment Fees	<u>42.5</u>
Total Sources	<u>\$136.8</u>
Uses	
Interest	\$52.9
Debt Repayments:	
Revolver (repaid in April 2009)	55.0
Senior Credit Facility	6.6
Senior Health Note	25.0
Holding Company Expenses	24.9
Other	<u>3.5</u>
Total Uses	<u>\$167.9</u>
Cash Balance 12/31/09	<u>\$73.2</u>

Consolidated RBC Ratio*

CNO

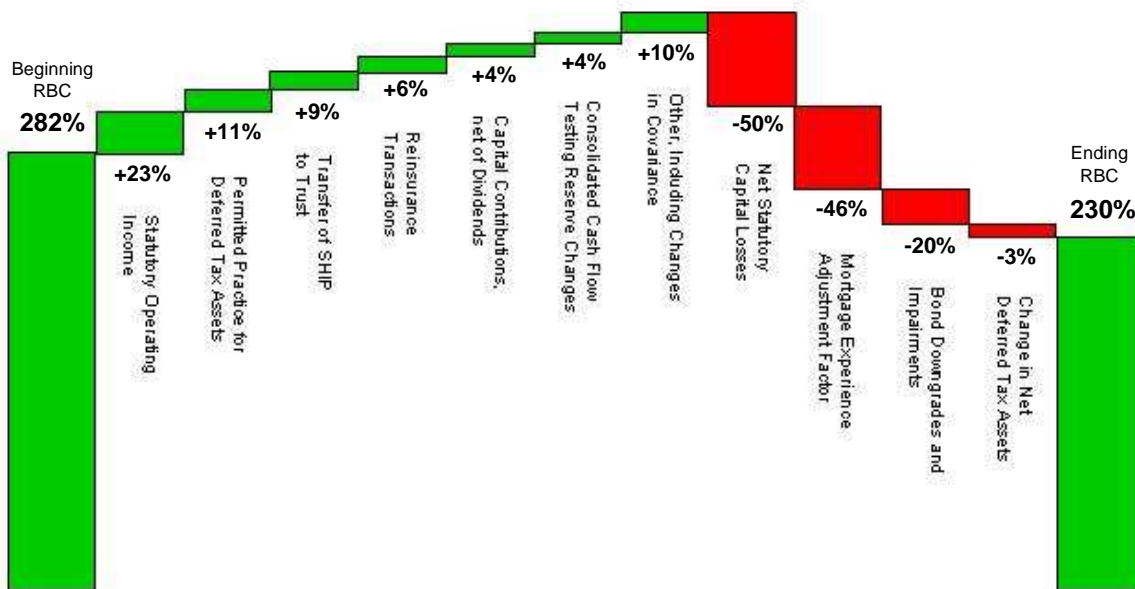
- **Q1 2009 positive impacts:**
 - Q1 statutory operating results (7 percentage pts)
 - Termination of group PFFS cases (6 pts)
- **Q1 2009 negative impacts:**
 - Net capital losses (14 pts)
 - Credit rating migration (7 pts)
 - Mortgage Experience Adjustment Factor (6 pts)
 - Dividend (4 pts)
 - Other items (7 pts)



*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 – Changes Over Last Four Quarters

CNO



Q1 Summary

Bankers

- **Earnings of \$44.7 million, up 54% over Q1 2008:**
 - Higher LTC margins (+\$11 million)
 - Positive impact of rate increases
 - Higher annuity margins (+\$10 million)
 - Positive FAS 133 impact
 - Improved persistency
 - Increase in COLI surrender value (+\$3 million)
 - Lower Med Supp margins due to higher benefit ratio (-\$6 million)
 - Partially offset by impact of higher persistency
- **Strong core sales and record agent recruiting**

15

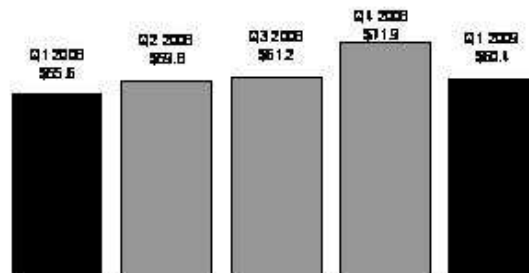
NAP Results

Bankers

(\$ millions)

Quarterly Core NAP (Excludes PFFS)

- **Core NAP up 9% vs Q1 2008**
 - Strong sales of annuities (+33%), Med Supp (+8%) and life (+8%), partially offset by lower LTC (-20%) sales
- **PFFS sales negatively affected by:**
 - New CMS marketing restrictions
 - Change in sales recognition



PFFS NAP-Quarterly*:	\$59.0	\$(6.4)	\$4.6	\$0.9	\$34.1**
NAP-Quarterly*:	\$114.6	\$53.4	\$65.8	\$72.8	\$94.5

*Excludes group business not sold by Bankers agents.

**Net of \$7 million reserve for anticipated chargebacks related to sales still within their 90-day disenrollment period.

Q1 2009 Sales and Distribution Results

Bankers

- **Agent productivity and agent force growth remain strong**
 - 4,987 agents* at 3/31/09, up 5% vs 12/31/08
 - 22% YTD growth in new agents; a record quarter for agent recruiting
- **Coventry's decision to not file PFFS for 2010 not expected to disrupt distribution**
 - Currently in discussions to replace Coventry for Med Advantage in 2010, with enhanced availability of network plans nationwide
 - Bankers agents control relationship with PFFS members; able to offer these customers multiple solutions, including Med Supp
 - Lost fee income expected to be replaced through new agreement

*YTD average agent count.

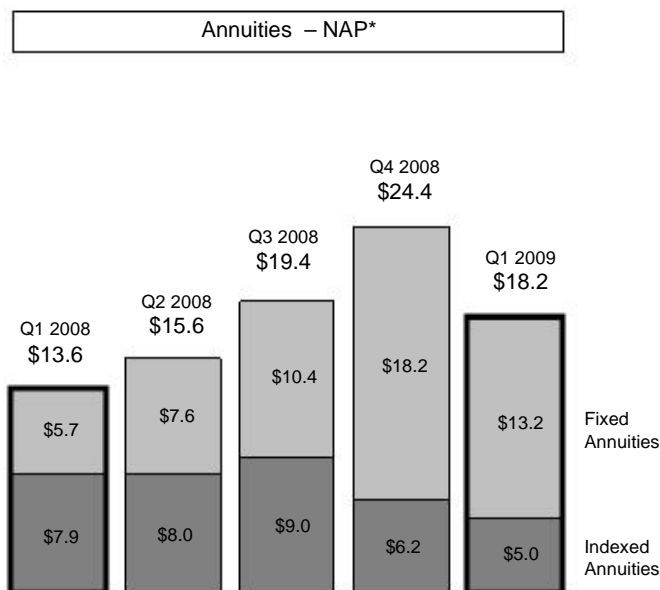
17

Annuity Sales

Bankers

(\$ millions)

- Stock market volatility fueling fixed annuity sales
- Indexed annuities remain smaller percentage of total annuity sales
- SEC designation of indexed annuities as securities (Rule 151A) not expected to significantly impact Bankers total annuity sales
- Majority of Bankers branch offices maintain one or more registered reps to assist clients with portfolio management and broker securities



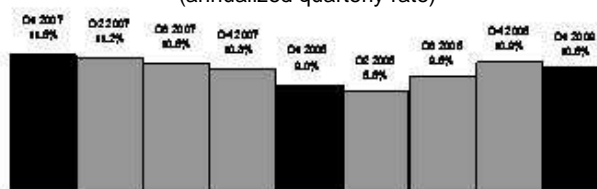
*Calculated as 6% of annuity deposits.

Annuity Surrenders

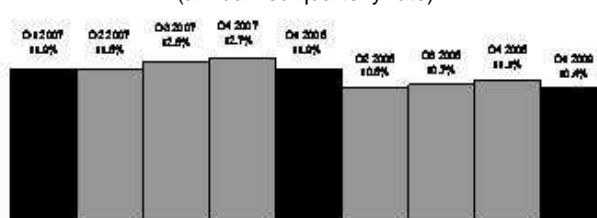
- **No significant change in surrender activity:**
 - Q1 2009 surrenders slightly lower than Q4 2008
- **Average account value:**
 - EIAs - \$41,000
 - Non-EIAs - \$35,000
- **Over 89% of our annuities are still in surrender period:**
 - EIAs – 94%
 - Non-EIAs – 87%

Bankers

EIA Surrenders
(annualized quarterly rate)



Non-EIA Surrenders
(annualized quarterly rate)



19

LTC Update

Bankers

- **Rate increases ahead of schedule (2008 round – policies issued prior to 2002)**
 - Filed \$102.5 million of rate increases = 100% of expected total
 - Approvals at 3/31/09 = \$66.6 million (30 states), 94% of expected total
 - Projected financial impact = \$56.7 million, 94% of expected total
- **Continued focus on claims management/underwriting**
- **New products**
 - LTC product revision in June 2009, with rates reflecting current claim experience and higher profit targets
 - LTC/Annuity Combo product to be launched in June 2009

Q1 Earnings

Bankers

(\$ millions)

	<u>Q1 2008</u>	<u>Q2 2008</u>	<u>Q3 2008</u>	<u>Q4 2008</u>	<u>Q1 2009</u>
Insurance policy income	\$497.0	\$543.4	\$537.7	\$531.8	\$491.5
Net investment income	129.3	135.2	138.3	155.4	142.2
Fee revenue and other income	1.6	2.1	3.1	4.2	1.4
Total revenues	<u>627.9</u>	<u>680.7</u>	<u>679.1</u>	<u>691.4</u>	<u>635.1</u>
Insurance policy benefits	434.9	497.2	470.3	477.5	429.6
Amounts added to policyholder account balances	44.8	37.2	46.2	82.3	37.6
Amortization related to operations	75.0	66.6	53.5	39.7	75.6
Other operating costs and expenses	44.1	45.1	41.3	51.9	47.6
Total benefits and expenses	<u>598.8</u>	<u>646.1</u>	<u>611.3</u>	<u>651.4</u>	<u>590.4</u>
Income before net realized investment gains (losses), net of related amortization and income taxes	<u>\$29.1</u>	<u>\$34.6</u>	<u>\$67.8</u>	<u>\$40.0</u>	<u>\$44.7</u>

Trailing 4 Quarter Operating Return on Equity: 8.1%

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 8 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.

21

Q1 Summary

Colonial Penn

- **Earnings of \$5.1 million, up 38% over Q1 2008:**
 - Favorable life claim experience and overall business growth
 - Lower expense levels
 - Higher investment income
- **2009 lead generation efforts intentionally reduced as part of company's capital management efforts**
 - Life sales for Q1 2009 were \$12.3 million, down 4% from Q1 2008

Q1 Earnings

Colonial Penn

(\$ millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Insurance policy income	\$44.4	\$47.5	\$46.4	\$46.5	\$47.1
Net investment income	9.2	10.1	10.1	10.2	9.8
Fee revenue and other income	0.3	0.5	0.5	0.5	0.2
Total revenues	53.9	58.1	57.0	57.2	57.1
Insurance policy benefits	35.0	35.5	33.9	33.8	36.1
Amounts added to policyholder account balances	0.3	0.3	0.3	0.3	0.3
Amortization related to operations	7.4	7.4	9.2	8.0	8.4
Other operating costs and expenses	7.5	6.6	7.1	8.4	7.2
Total benefits and expenses	50.2	49.8	50.5	50.5	52.0
Income (loss) before net realized investment gains (losses) and income taxes, net of related amortization	\$3.7	\$8.3	\$6.5	\$6.7	\$5.1

Trailing 4 Quarter Operating Return on Equity: 13.4%

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 8 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.

23

Q1 Summary

CIG

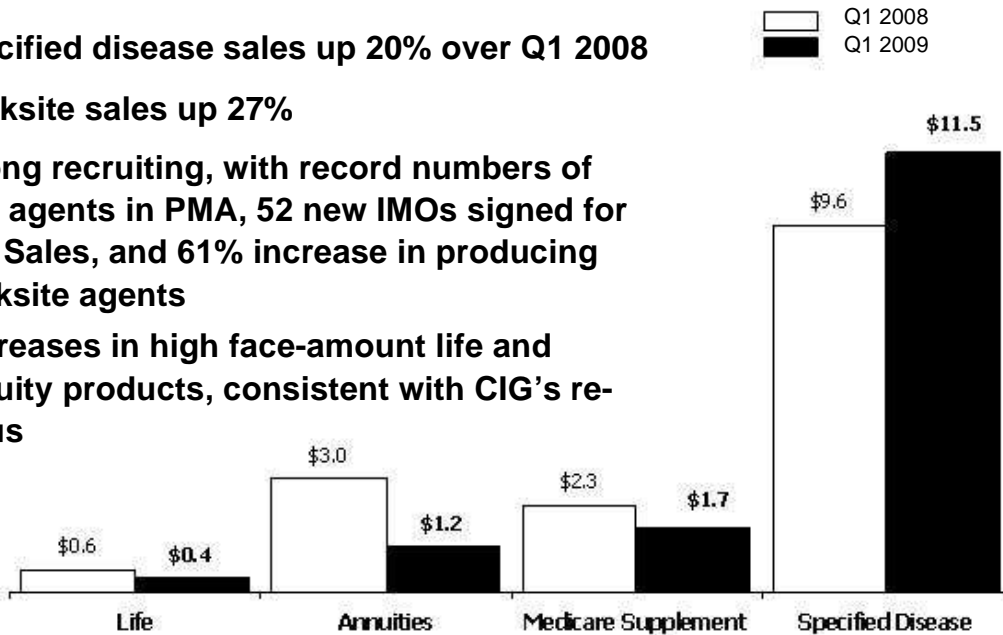
- **Earnings of \$31.2 million, up 34% vs Q1 2008:**
 - Higher margins for specified disease and Med Supp blocks (+\$6 million)
 - Unlocking adjustment negatively impacted Q1 2008 (+\$8 million)
 - Partially offset by lower annuity margin due to excess terminations in Q1 2009 (-\$3 million)
- **Continuing to analyze non-guaranteed elements of older life insurance policies issued by predecessor companies and make changes where appropriate**

Q1 2009 Sales and Distribution Results

CIG

(\$ millions)

- Specified disease sales up 20% over Q1 2008
- Worksite sales up 27%
- Strong recruiting, with record numbers of new agents in PMA, 52 new IMO's signed for CIG Sales, and 61% increase in producing worksite agents
- Decreases in high face-amount life and annuity products, consistent with CIG's re-focus



25

Q1 Earnings

CIG

(\$ millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Insurance policy income	\$243.7	\$239.1	\$237.7	\$238.4	\$244.2
Net investment income	136.1	138.7	134.0	143.7	134.3
Fee revenue and other income	0.8	0.5	0.1	0.3	0.7
Total revenues	<u>380.6</u>	<u>378.3</u>	<u>371.8</u>	<u>382.4</u>	<u>379.2</u>
Insurance policy benefits	209.1	208.6	203.6	199.6	214.1
Amounts added to policyholder account balances	43.6	37.1	42.7	38.4	35.8
Amortization related to operations	30.2	31.2	24.9	36.3	36.8
Interest expense on investment borrowings	5.8	5.5	5.6	5.5	5.2
Other operating costs and expenses	68.6	63.6	60.8	71.1	56.1
Total benefits and expenses	<u>357.3</u>	<u>346.0</u>	<u>337.6</u>	<u>350.9</u>	<u>348.0</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>\$23.3</u>	<u>\$32.3</u>	<u>\$34.2</u>	<u>\$31.5</u>	<u>\$31.2</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 8 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.

Q1 2009 Net Realized Losses

CNO

(\$ millions)

	Gross Amounts	Amount Recognized through Accumulated Other Comprehensive Income	Amount Recognized through Net Income
Net gains on sales	\$85.1	-	\$85.1
Losses due to recognition of other-than-temporary impairments	(108.1)	\$(16.1)	(92.0)
Amortization adjustment to insurance intangibles	<u>2.7</u>	<u>2.7</u>	-
Net investment losses before tax	(20.3)	(13.4)	(6.9)
Tax expense	7.1	4.7	2.4
Increase to tax valuation allowance	<u>(2.4)</u>	-	<u>(2.4)</u>
Net investment losses after tax	<u>\$(15.6)</u>	<u>\$(8.7)</u>	<u>\$(6.9)</u>

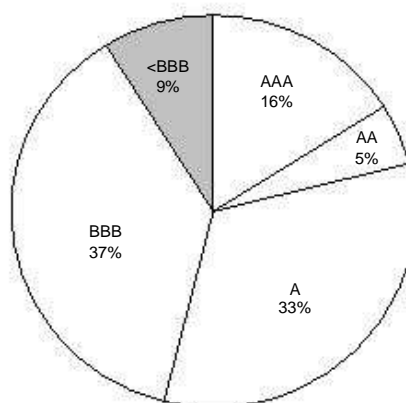
27

Investment Quality: Fixed Maturities*

CNO

- Investment grade securities represent 91% 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 3/31/09 (Market Value)



	3/31/08	6/30/08	9/30/08	12/31/08	3/31/09
% of Bonds which are Investment Grade:*	93%	93%	93%	92%	91%

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

Q1 2009 Downgrades from Investment Grade to Below Investment Grade

CNO

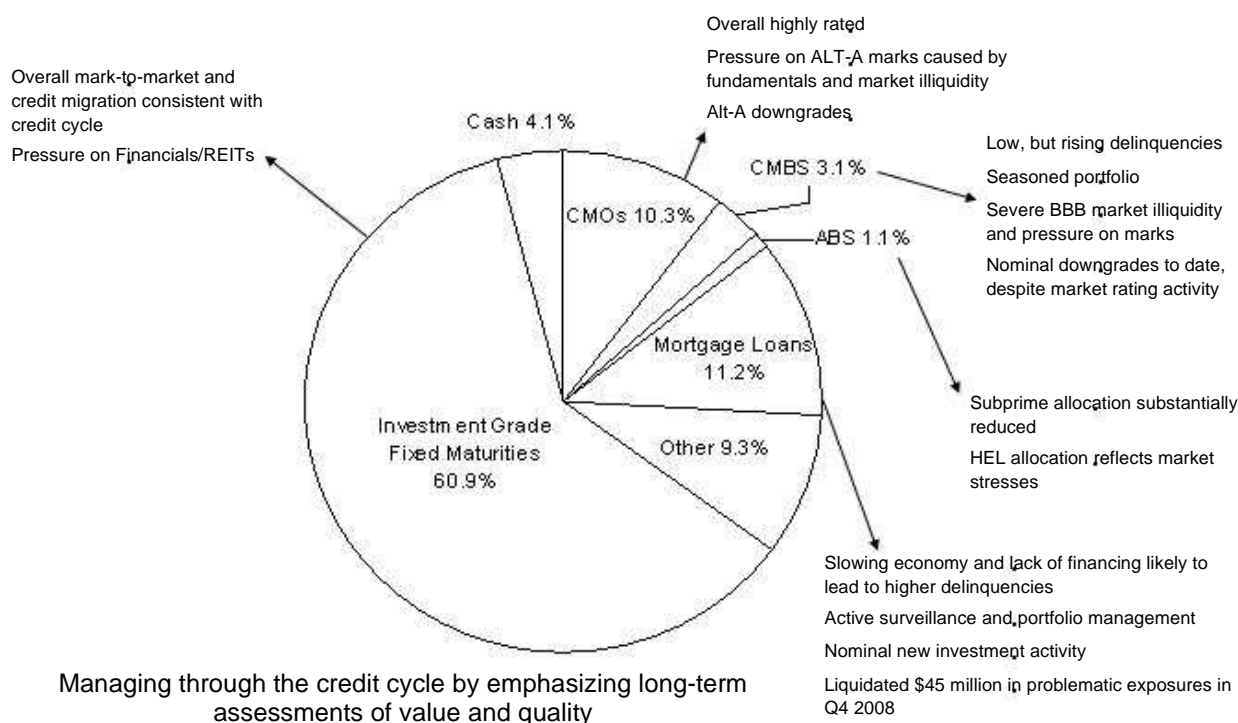
(\$ millions)

Type	Statutory Book Value	# Issues	Effect of Downgrades on RBC Ratio*
IG Corporates	\$119.3	9	(1.4)
Financials	87.4	6	(1.6)
Subprime	10.0	1	(0.1)
Alt-A	114.0	5	(2.2)
Prime Jumbo	15.0	1	(0.5)
CMBS	15.1	5	(0.3)
Other	34.4	3	(0.9)
Total	\$395.2	30	(7.0)

*Includes estimated effect of covariance and tax.

Asset Allocation at 3/31/09

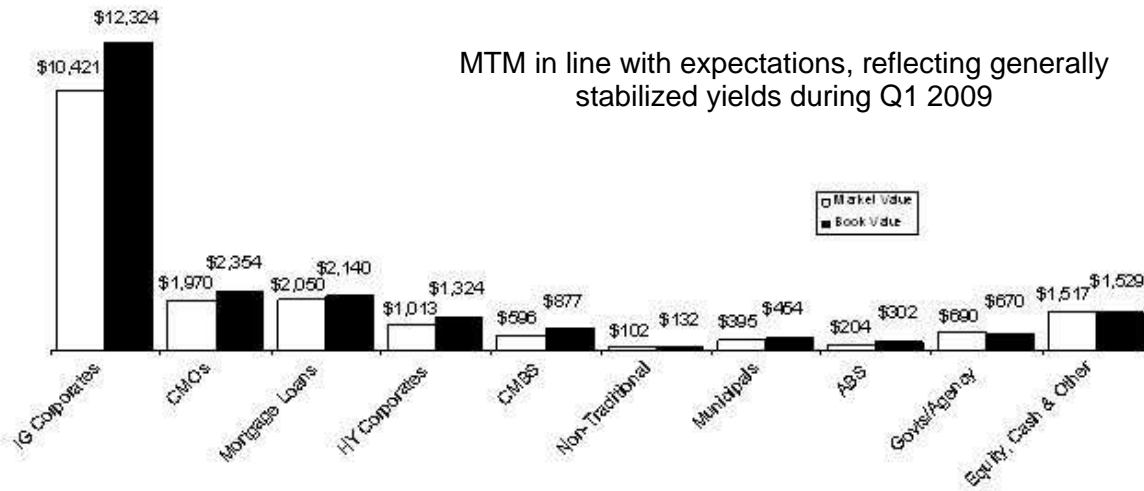
CNO



Asset Allocation at 3/31/09

CNO

(\$ millions)

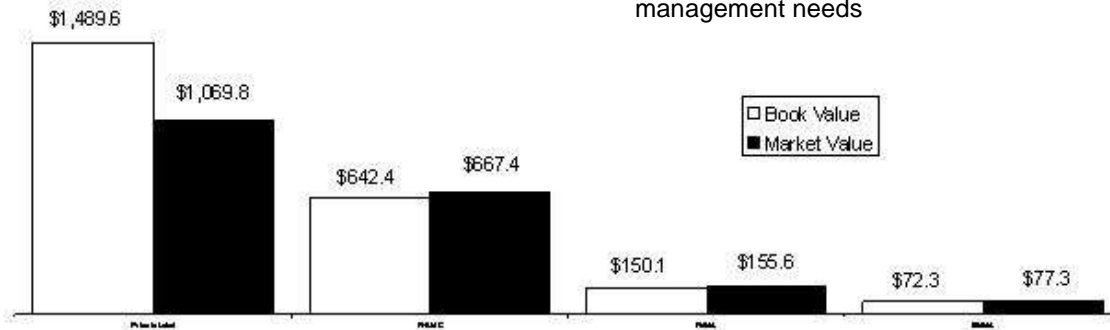


CMOs by Type at 3/31/09

CNO

(\$ millions)

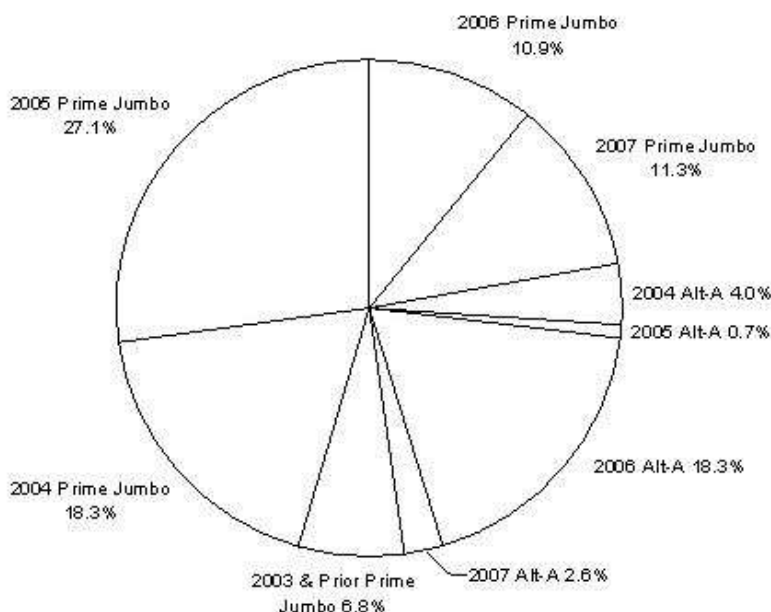
Our allocation to CMOs has been reduced over the last two years to meet our asset/liability management needs



Non-Agency CMOs at 3/31/09

CNO

Our non-agency CMOs are diversified by vintage



33

Alt-A at 3/31/09

CNO

(\$ millions)

Rating	Market Value (mil.)	Book Value (mil.)	% of Alt-A*	Avg. FICO	Avg. Support	Avg. 60+ Delinq.	Avg. Accum. Loss	% of Portfolio*
AAA	\$13.1	\$18.3	5.0%	692	14.8%	8.1%	0.75%	0.07%
AA	\$43.5	\$52.8	16.5%	734	7.7%	5.4%	0.23%	0.23%
A	\$5.1	\$10.0	1.9%	691	11.8%	12.9%	0.61%	0.03%
BBB	\$9.1	\$13.4	3.4%	699	5.3%	6.6%	1.69%	0.05%
<BBB	\$193.1	\$328.2	73.2%	714	10.3%	14.7%	0.65%	1.01%
Total	\$263.9	\$422.7	100.00%	716	9.9%	12.5%	0.62%	1.39%

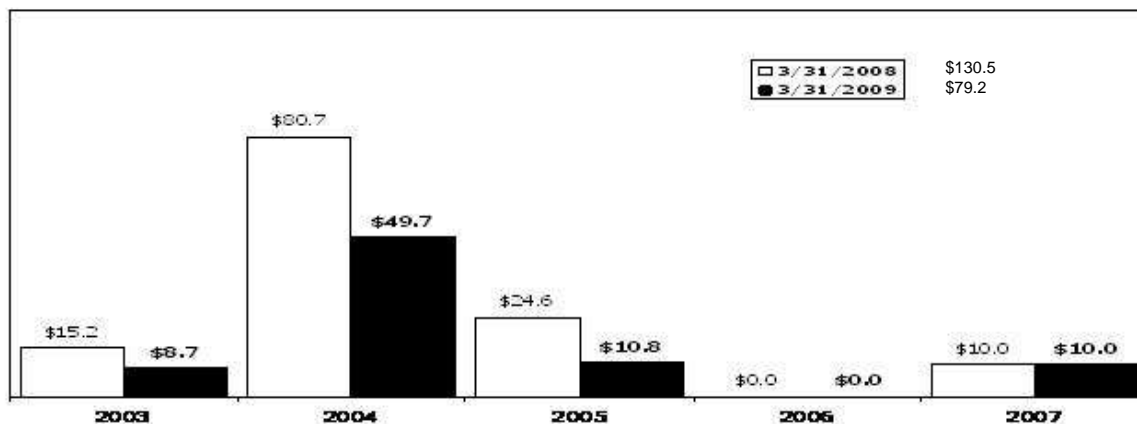
- Exposure reduced by 21% from 12/31/08 to 3/31/09
- No exposure to “affordability products” – option ARMs, hybrid, neg-ams
- While delinquencies are higher than anticipated, collateral performing better than overall Alt-A market, which has average FICO of 712, 60+ delinquency rate of 26.2%, and average accumulated loss of 1.78% (source: True Standings)
- Substantial credit support inherent in structures relative to expected losses, even at rising delinquency rates

*% of market value

Sub-Prime Home Equity ABS By Vintage

CNO

(GAAP book value - \$ millions)



- Exposure reduced by 39% in the last 12 months
- Represents 0.35% of invested assets at 3/31/09, compared to 0.70% at 3/31/08
- Very little exposure to 2006 and 2007 vintages (\$10.0 million)

35

Sub-Prime Home Equity ABS at 3/31/09

CNO

(\$ millions)

Rating	Market Value (mil.)	Book Value (mil.)	% of Subprime*	Avg. FICO	Avg. Support	Avg. 60+ Delinq.	% of Portfolio*
AAA	\$16.1	\$22.2	36.7%	632	34.3%	13.7%	0.09%
AA	\$10.0	\$18.2	22.9%	629	23.1%	13.8%	0.05%
A	\$6.0	\$16.3	13.7%	676	19.7%	6.8%	0.03%
BBB	\$6.1	\$11.9	14.0%	697	24.0%	5.1%	0.03%
<BBB	\$5.5	\$10.6	12.7%	650	23.8%	26.1%	0.03%
Total	\$43.7	\$79.2	100.0%	649	27.0%	13.2%	0.23%

- Only \$5.5 million (market value) <BBB (0.03% of invested assets)
- While delinquencies up, consistent with market conditions, remaining portfolio generally reflects satisfactory margin for adverse collateral performance
- No exposure to “affordability products” – negative amortization, option ARM collateral, etc.

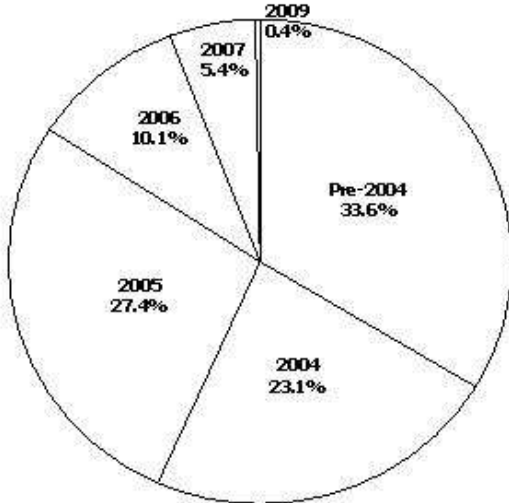
*% of market value

CMBS by Vintage at 3/31/09

CNO

(GAAP book value - \$ millions)

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



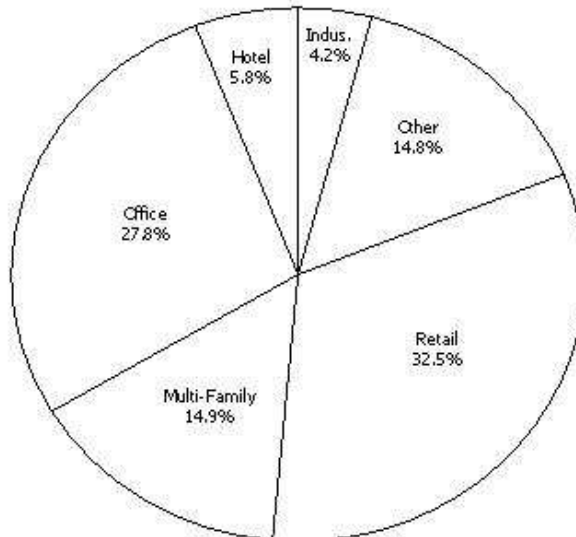
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u><BBB</u>
Pre-2004	\$206.7	\$34.1	\$42.5	\$12.0	\$0.0
2004	\$163.9	\$3.0	\$16.2	\$19.6	\$0.0
2005	\$119.3	\$12.0	\$31.9	\$75.1	\$1.9
2006	\$0.0	\$21.4	\$15.6	\$17.6	\$34.2
2007	\$47.0	\$0.0	\$0.0	\$0.0	\$0.0
<u>2009</u>	<u>\$3.5</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total BV	\$540.4	\$70.5	\$106.2	\$124.3	\$36.1
Total MV	\$454.7	\$45.8	\$47.5	\$29.6	\$18.6

37

CMBS by Collateral Type at 3/31/09

CNO

Our CMBS are backed by a diverse pool of underlying collateral – \$90 billion, from more than 7,900 commercial mortgage loans



- **Key differences between Conseco and the rest of the industry:**
 - Our sales are continuing to grow
 - Our products are simple and straightforward, and entail less product risk than those designed for higher-net-worth customers
- **Strong franchise in the senior middle market**
- **Capital management initiatives implemented**
- **Less stock market exposure than some of our highly rated competitors**
- **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

39



Questions and Answers



Appendix

Book Value Per Share *

CNO

- Increase from Q4 2008 due to Q1 2009 net income

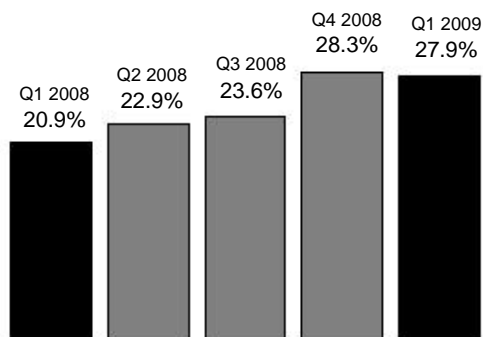


*Book value excludes accumulated other comprehensive income (loss). Shares outstanding assumes: (1) conversion of convertible securities; and (2) the exercise of outstanding stock options and vesting of restricted stock (each calculated using the treasury stock method). See Appendix for corresponding GAAP measure.

Bank Covenant Debt to Total Capital Ratio*

CNO

- Change from Q4 2008 primarily due to Q1 2009 net income



*Excludes accumulated other comprehensive income (loss). See Appendix for corresponding GAAP measure.

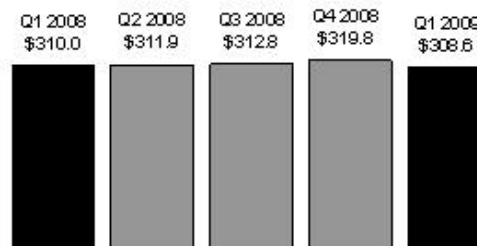
Net Investment Income

CNO

(\$ millions)

- Decrease in Q1 2009 primarily due to increase in cash and short-term investment balances compared to prior periods

General Account Investment Income



Yield:	5.82%	5.82%	5.91%	5.93%	5.67%
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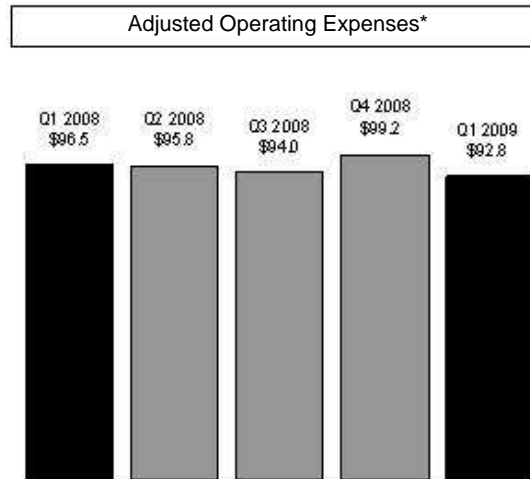
Expenses

CNO

(\$ millions)

Back-office consolidation complete

- Approximately \$20 million in savings realized in 2007 and 2008; remaining \$5 million expected in 2009
- Q4 2008 expenses reflect increased investment in business growth at Bankers and Conseco Insurance Group



*Adjusted operating expenses exclude primarily acquisition costs, capitalization of software development costs, initial PFFS marketing costs and contractual vacancy charges related to exiting the Merchandise Mart in Chicago. This measure is used by the Company to evaluate its progress in reducing operating expenses. Expenses have been restated for all periods to reflect the SHIP separation.

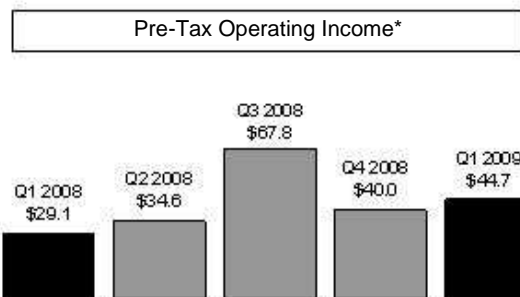
45

Segment Performance

Bankers

(\$ millions)

- **Earnings up 54% vs Q1 2008**
- **Earnings positively affected by:**
 - Higher LTC margins
 - Lower DAC/VOBA amortization
 - Change in COLI surrender value
 - FAS 133 accounting
- **Offset by:**
 - Lower Med Supp margins



PTOI-Trailing 4 Quarters:	\$225.4	\$189.5	\$189.8	\$171.5	\$187.1
Revenues-Quarterly:	\$627.9	\$680.7	\$679.1	\$691.4	\$635.1
Revenues -Tr. 4 Quarters:	\$2,438.1	\$2,537.0	\$2,594.5	\$2,679.1	\$2,686.3

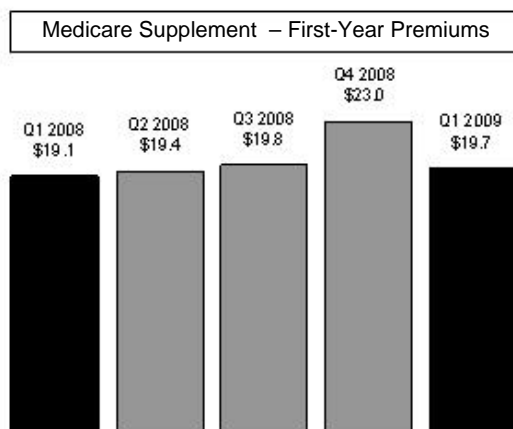
*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums – Medicare Supplement

Bankers

(\$ millions)

- First-year premiums up 3% vs Q1 2008



Med. Supp. First-Year Preams.-Tr. 4 Qtrs:	\$79.4	\$78.8	\$79.3	\$81.3	\$81.9
Med. Supp. Total Premiums-Quarterly:	\$159.9	\$150.6	\$153.8	\$172.3	\$155.8
Med. Supp. NAP-Quarterly:	\$17.1	\$17.0	\$16.6	\$27.9	\$18.4
Med. Supp. NAP-Trailing 4 Quarters:	\$70.9	\$73.2	\$73.7	\$78.6	\$79.9

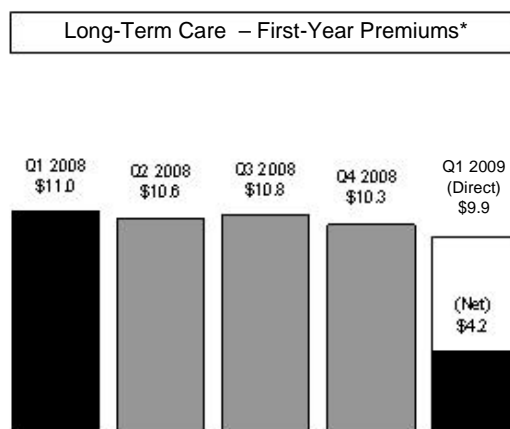
47

Premiums – Long-Term Care

Bankers

(\$ millions)

- Quarterly first-year premium tracks decline in NAP
- NAP decline attributable to three main factors:
 - Overall industry sales decline
 - Agent force shift toward life and annuity sales
 - Tightened underwriting



First-Year Preams.-Tr. 4 Qtrs:	\$46.4	\$44.8	\$43.9	\$42.7	\$35.9
Total Premiums-Quarterly:	\$156.6	\$155.2	\$154.8	\$159.1	\$145.9
NAP-Quarterly:	\$9.4	\$10.7	\$11.4	\$7.9	\$7.5
NAP-Trailing 4 Quarters:	\$44.6	\$42.6	\$42.3	\$39.4	\$37.5

*Q1 2009 includes \$5.7 million of premiums ceded under new business reinsurance agreement.

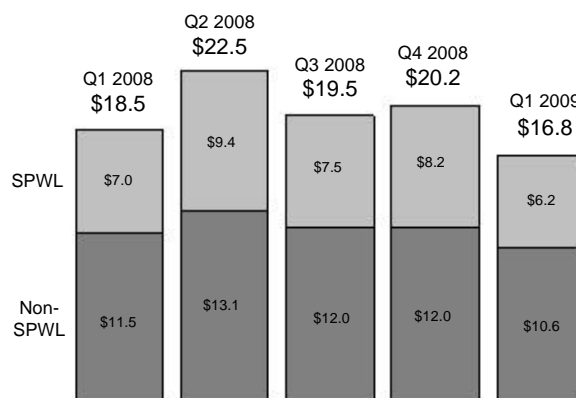
Premiums – Life Insurance

Bankers

(\$ millions)

- Fluctuations in first-year premiums primarily reflect variance in sales of single-premium policies
- Non-SPWL premiums down 8% vs Q1 2008

Life – First-Year Premiums



First-Year Prems.-Tr. 4 Qtrs:	\$86.3	\$83.5	\$81.8	\$80.7	\$79.0
Total Premiums-Quarterly:	\$48.0	\$53.8	\$51.9	\$55.7	\$48.9
NAP-Quarterly:	\$11.7	\$15.7	\$13.1	\$11.4	\$12.6
NAP-Trailing 4 Quarters:	\$53.1	\$54.3	\$53.6	\$51.9	\$52.8

49

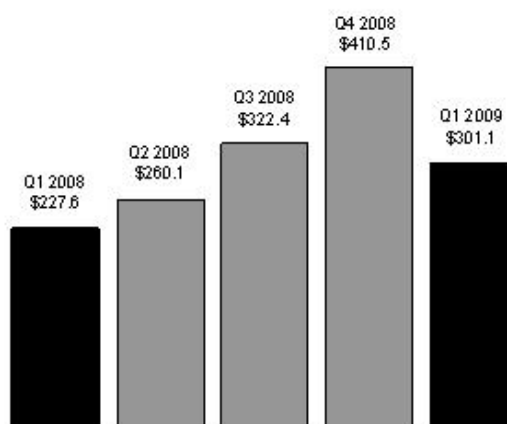
Premiums – Annuity

Bankers

(\$ millions)

- Stock market volatility fueling fixed annuity sales
- Indexed annuities remain smaller percentage of total annuity sales

Annuity – First-Year Premiums



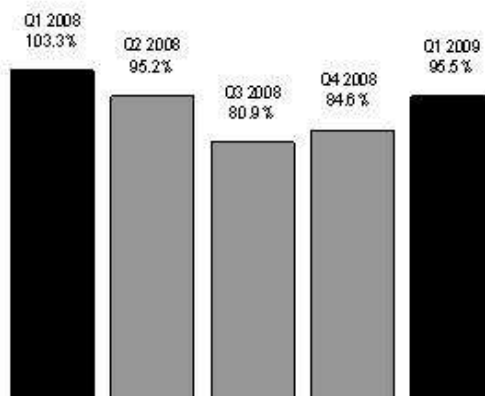
First-Year Prems.-Tr. 4 Qtrs:	\$898.9	\$959.4	\$1,031.3	\$1,220.6	\$1,294.1
Total Premiums-Quarterly:	\$228.7	\$261.1	\$323.1	\$411.2	\$302.1

Benefit Ratio* – PDP

Bankers

■ Down 8% vs Q1 2008

- Q1 2009 impacted by prior contract year IBNR release of \$0.9 million
- Q1 2008 impacted by prior contract year IBNR strengthening of \$2 million



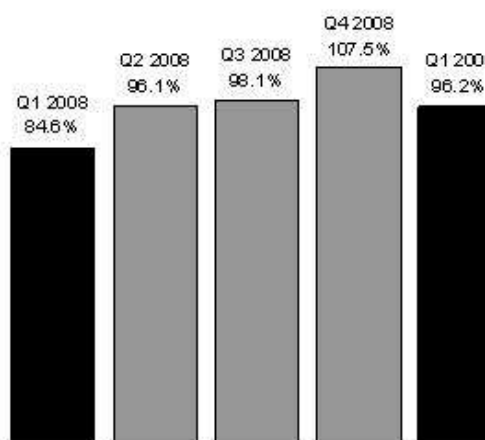
*We calculate benefit ratios by dividing insurance policy benefits by insurance policy income.

51

Benefit Ratio* – PFFS Individual Business

Bankers

- ### ■ Q1 2009 vs Q4 2008 comparison impacted by prior contract year reserve releases

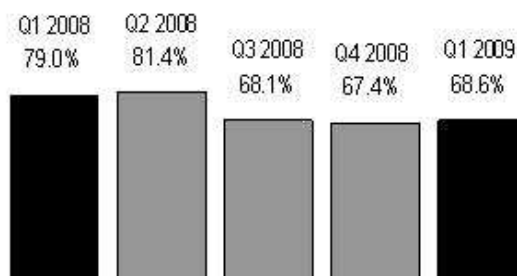


*We calculate benefit ratios by dividing insurance policy benefits by insurance policy income.

Interest-Adjusted Benefit Ratio* – Long Term Care

Bankers

- Q1 2009 positively impacted by continued stabilization of incurred claims and excess terminations
- Completed Round Three re-rates on legacy block; expect \$50 million annual financial impact
- Began implementation of premium re-rates (Round Two) in Q3 2007 on more recent business not previously re-rated; expect additional \$10 million in in-force premium



Trailing 4 Quarter Avg.:	72.5%	76.7%	74.9%	74.0%	71.4%
Qtrly. non-int. adjusted:	111.6%	114.7%	102.1%	102.2%	105.1%

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

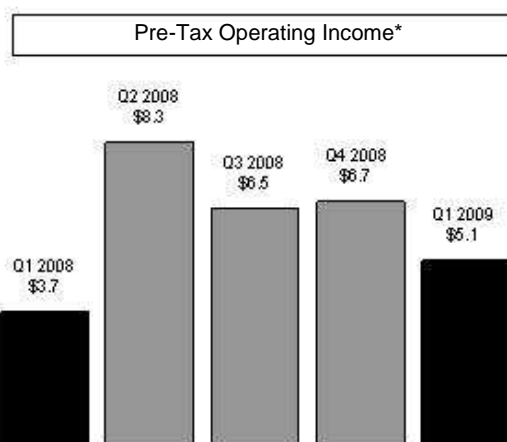
53

Segment Performance

Colonial Penn

(\$ millions)

- Q1 2008 to Q1 2009 change affected by:
 - Organic growth initiatives and favorable mortality, net of DAC amortization
 - Lower net expenses
 - Higher investment income
- Q4 2008 to Q1 2009 change affected by:
 - Seasonally higher life claims in 2009
 - Lower net expenses
 - Lower investment income



PTOI-Trailing 4 Quarters:	\$17.2	\$18.8	\$18.3	\$25.2	\$26.6
Revenues-Quarterly:	\$53.9	\$58.1	\$57.0	\$57.2	\$57.1
Revenues -Tr. 4 Quarters:	\$179.2	\$198.4	\$213.3	\$226.2	\$229.4

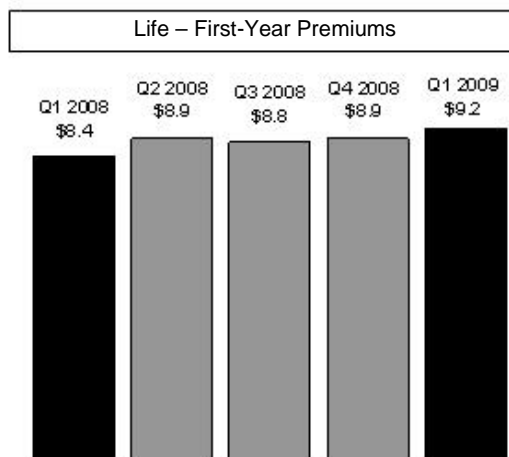
*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums – Life Insurance

Colonial Penn

(\$ millions)

- **NAP:**
 - Trailing 4 quarters relatively flat
 - 14% growth over most recent quarter
- **Premium:**
 - First year:
 - Trailing 4 quarters relatively flat
 - 3% growth over most recent quarter
 - Total: continued steady growth



First-Year Prems.-Tr. 4 Qtrs:	\$30.4	\$32.3	\$33.7	\$35.0	\$35.8
Total Premiums-Quarterly:	\$42.9	\$43.8	\$43.6	\$43.8	\$47.0
NAP-Quarterly:	\$12.7	\$14.5	\$12.1	\$10.8	\$12.3
NAP-Trailing 4 Quarters:	\$44.6	\$47.9	\$48.6	\$50.1	\$49.7

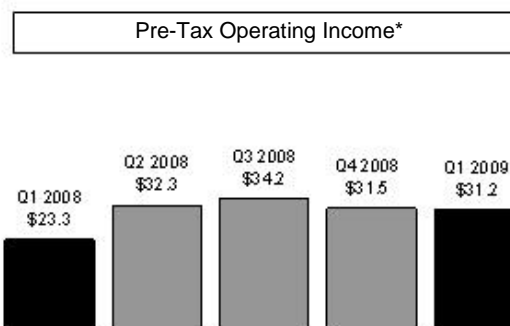
55

Segment Performance

CIG

(\$ millions)

- **Higher specified disease margins**
- **Lower expenses**
- **Unlocking adjustment negatively impacting interest-sensitive life block in Q1 2008**
- **Partially offset by**
 - Lower LTC closed block margins
 - Lower annuity margin due to excess terminations on EIAs



PTOI-Trailing 4 Quarters:	\$71.5	\$82.6	\$99.4	\$121.3	\$129.2
Revenues-Quarterly:	\$380.6	\$378.3	\$371.8	\$382.4	\$379.2
Revenues-Tr. 4 Quarters:	\$1,653.7	\$1,576.2	\$1,511.3	\$1,513.1	\$1,511.7

*Operating earnings exclude: (1) net realized gains (losses); (2) the Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods; and (3) the Q3 2007 charge related to an annuity coinsurance transaction. See Appendix for corresponding GAAP measure of our consolidated results of operations.

Premiums - Medicare Supplement

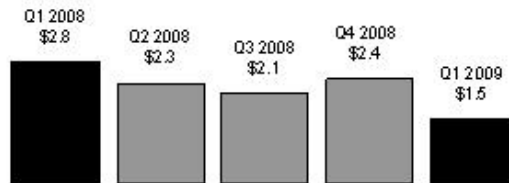
CIG

(\$ millions)

Medicare Supplement – First-Year Premiums

▪ **NAP lower vs Q4 2008:**

- We continue to focus on the profitability of this business rather than increased sales



First-Year Prems.-Tr. 4 Qtrs:	\$15.6	\$12.7	\$10.6	\$9.6	\$8.3
Total Premiums-Quarterly:	\$53.1	\$49.6	\$48.5	\$52.6	\$42.8
NAP-Quarterly:	\$2.3	\$1.3	\$1.8	\$3.5	\$1.7
NAP-Trailing 4 Quarters:	\$10.6	\$9.0	\$8.9	\$8.9	\$8.3

57

Premiums – Specified Disease

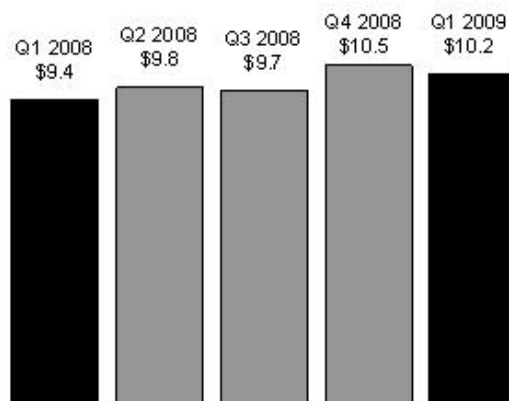
CIG

(\$ millions)

Specified Disease – First-Year Premiums

▪ **NAP up 20% from Q1 2008:**

- New products
- Increased PMA focus on specified disease products
- Recruitment of Health IMOs
- Momentum increasing in Worksite market



First-Year Prems.-Tr. 4 Qtrs:	\$33.5	\$35.6	\$37.6	\$39.4	\$40.2
Total Premiums-Quarterly:	\$94.2	\$92.5	\$92.3	\$95.6	\$93.0
NAP-Quarterly:	\$9.6	\$12.4	\$12.8	\$12.0	\$11.5
NAP-Trailing 4 Quarters:	\$40.8	\$43.6	\$46.1	\$46.8	\$48.7

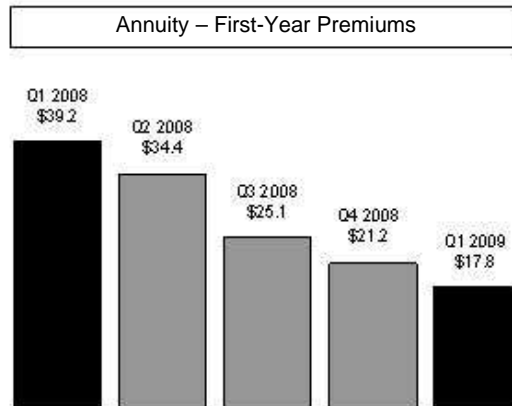
Premiums – Annuity

CIG

(\$ millions)

■ First-year collections down 16% from Q4 2008:

- Discontinuance of products due to an annuity coinsurance transaction
- Focus on profitable products



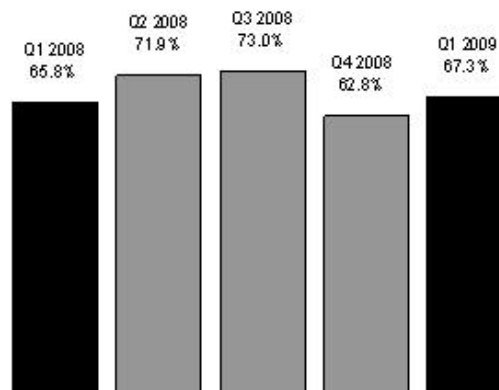
First-Year Prems.-Tr. 4 Qtrs:	\$277.3	\$203.4	\$155.3	\$119.9	\$98.5
Total Premiums-Quarterly:	\$41.6	\$37.1	\$27.4	\$23.7	\$19.5

59

Benefit Ratio* – Medicare Supplement

CIG

■ In line with expectations and recent trends



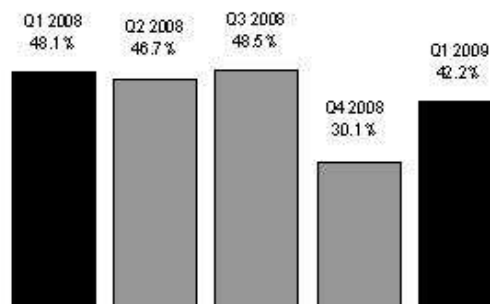
Trailing 4 Quarter Avg.:	67.4%	68.0%	69.1%	68.4%	68.8%
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*We calculate benefit ratios by dividing insurance policy benefits by insurance policy income.

Interest-Adjusted Benefit Ratio* – Specified Disease

CIG

- Q4 2008 included recognition of deferred ROP adjustment related to prior periods
- Q1 2009 recognized lower incurred claims due to favorable experience in prior periods



Trailing 4 Quarter Avg.:	46.0%	47.6%	47.4%	43.3%	41.8%
Qtrly. non-int. adjusted:	81.7%	80.4%	82.6%	63.8%	76.0%

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

61

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 Consec'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, discontinued operations and increases to our valuation allowance for deferred tax assets ("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, discontinued operations and increases to our valuation allowance for deferred tax assets are unrelated to the Company's continuing operations.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income applicable to common stock to net operating income (and related per-share amounts) is as follows (dollars in millions, except per-share amounts):

	<u>Q1 2008</u>	<u>Q2 2008</u>	<u>Q3 2008</u>	<u>Q4 2008</u>	<u>Q1 2009</u>
Net income (loss) applicable to common stock	\$ (7.2)	\$ (488.5)	\$ (183.3)	\$ (453.3)	\$ 24.5
Net realized investment losses, net of related amortization and taxes	27.8	17.4	84.2	88.0	6.9
Discontinued operations	(0.5)	198.3	157.4	367.5	-
Valuation allowance for deferred tax assets	-	298.0	-	45.0	-
Net operating income (a non-GAAP financial measure)	<u>\$ 20.1</u>	<u>\$ 25.2</u>	<u>\$ 58.3</u>	<u>\$ 47.2</u>	<u>\$ 31.4</u>
Per diluted share:					
Net income (loss)	\$ (0.04)	\$ (2.65)	\$ (0.99)	\$ (2.45)	\$ 0.13
Net realized investment losses, net of related amortization and taxes	0.15	0.09	0.45	0.48	0.04
Discontinued operations	-	1.08	0.85	1.99	-
Valuation allowance for deferred tax assets	-	1.61	-	0.24	-
Net operating income (a non-GAAP financial measure)	<u>\$ 0.11</u>	<u>\$ 0.13</u>	<u>\$ 0.31</u>	<u>\$ 0.26</u>	<u>\$ 0.17</u>

63

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.

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):

	<u>Q1 2008</u>	<u>Q2 2008</u>	<u>Q3 2008</u>	<u>Q4 2008</u>	<u>Q1 2009</u>
Total shareholders' equity	\$ 3,954.7	\$ 3,395.7	\$ 2,716.3	\$ 1,630.0	\$ 1,591.2
Less accumulated other comprehensive income (loss)	(565.6)	(639.2)	(1,137.7)	(1,770.7)	(1,840.5)
Total shareholders' equity excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure)	<u>\$ 4,520.3</u>	<u>\$ 4,034.9</u>	<u>\$ 3,854.0</u>	<u>\$ 3,400.7</u>	<u>\$ 3,431.7</u>
Diluted shares outstanding for the period	184,681,243	184,792,300	184,761,138	184,755,680	184,760,879
Book value per diluted share	\$ 21.41	\$ 18.38	\$ 14.70	\$ 8.82	\$ 8.61
Less accumulated other comprehensive income (loss)	(3.07)	(3.45)	(6.16)	(9.59)	(9.96)
Book value, excluding accumulated other comprehensive income (loss), per diluted share (a non-GAAP financial measure)	<u>\$ 24.48</u>	<u>\$ 21.83</u>	<u>\$ 20.86</u>	<u>\$ 18.41</u>	<u>\$ 18.57</u>

Information Related to Certain Non-GAAP Financial Measures

Operating return measures

Management believes that an analysis of return before net realized gains or losses, discontinued operations and increases to our valuation allowance for deferred tax assets ("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, discontinued operations and increases to our valuation allowance for deferred tax assets are unrelated to the Company's continued operations.

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.

65

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of return on common equity to operating return on common equity (excluding accumulated other comprehensive income (loss) and net operating loss carryforwards) is as follows (dollars in millions, except per share amounts):

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Net income (loss) applicable to common stock	\$ (7.2)	\$ (488.5)	\$ (183.3)	\$ (453.3)	\$ 24.5
Net realized investment (gains) losses, net of related amortization and taxes	27.8	17.4	84.2	88.0	6.9
Discontinued operations	(0.5)	198.3	157.4	367.5	-
Valuation allowance for deferred tax assets	-	298.0	-	45.0	-
Net operating income (a non-GAAP financial measure)	<u>\$ 20.1</u>	<u>\$ 25.2</u>	<u>\$ 58.3</u>	<u>\$ 47.2</u>	<u>\$ 31.4</u>
Common shareholders' equity	\$ 3,954.7	\$ 3,395.7	\$ 2,716.3	\$ 1,630.0	\$ 1,591.2
Less accumulated other comprehensive income (loss)	(565.6)	(639.2)	(1,137.7)	(1,770.7)	(1,840.5)
Common shareholder's equity, excluding accumulated other comprehensive income (loss) (a non-GAAP financial measure)	4,520.3	4,034.9	3,854.0	3,400.7	3,431.7
Less net operating loss carryforwards	1,435.1	1,137.2	1,121.7	1,001.1	960.2
Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	<u>\$ 3,085.2</u>	<u>\$ 2,897.7</u>	<u>\$ 2,732.3</u>	<u>\$ 2,399.6</u>	<u>\$ 2,471.5</u>
Average common shareholders' equity	\$4,103.5	\$3,675.2	\$3,056.0	\$2,173.2	\$1,610.6
Average common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$3,092.1	\$2,991.5	\$2,815.0	\$2,566.0	\$2,435.6
Return on equity ratios:					
Return on common equity	-0.7%	-53.2%	-24.0%	-83.4%	6.1%
Operating return on common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	2.6%	3.4%	8.3%	7.4%	5.2%

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 three months ended March 31, 2009, is as follows (dollars in millions):

	<u>CIG</u>	<u>Bankers</u>	<u>Colonial Penn</u>	<u>Corporate</u>	<u>Total</u>
Pretax operating earnings (a non-GAAP financial measure)	\$ 31.2	\$ 44.7	\$ 5.1	\$ (31.9)	\$ 49.1
Allocation of interest expense, excess capital and corporate expenses	(17.7)	(13.8)	(1.3)	32.8	-
Income tax (expense) benefit	(4.9)	(11.1)	(1.4)	(0.3)	(17.7)
Segment operating income (loss)	<u>\$ 8.6</u>	<u>\$ 19.8</u>	<u>\$ 2.4</u>	<u>\$ 0.6</u>	<u>31.4</u>
Net realized investment losses, net of related amortization and taxes					(6.9)
Net income					<u>\$ 24.5</u>

(Continued on next page)

67

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 at March 31, 2009, is as follows (dollars in millions):

(Continued from previous page)

	<u>CIG</u>	<u>Bankers</u>	<u>Colonial Penn</u>	<u>Corporate</u>	<u>Total</u>
December 31, 2008					
Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 1,580.6	\$ 1,232.1	\$ 111.9	\$ (525.0)	\$ 2,399.6
Net operating loss carryforwards	1,001.1	-	-	-	1,001.1
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>\$ 2,283.9</u>	<u>\$ 824.9</u>	<u>\$ 107.8</u>	<u>\$ (1,586.6)</u>	<u>\$ 1,630.0</u>
March 31, 2009					
Common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 1,664.3	\$ 1,247.0	\$ 113.9	\$ (553.7)	\$ 2,471.5
Net operating loss carryforwards	960.2	-	-	-	960.2
Accumulated other comprehensive income (loss)	(870.1)	(860.0)	(48.1)	(62.3)	(1,840.5)
Allocation of capital	554.8	415.7	37.9	(1,008.4)	-
Common shareholders' equity	<u>\$ 2,309.2</u>	<u>\$ 802.7</u>	<u>\$ 103.7</u>	<u>\$ (1,624.4)</u>	<u>\$ 1,591.2</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 March 31, 2009, is as follows (dollars in millions):

(Continued from previous page)

	<u>CIG</u>	<u>Bankers</u>	<u>Colonial Penn</u>	<u>Corporate</u>	<u>Total</u>
Average common shareholders' equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 1,622.5	\$ 1,239.6	\$ 112.9	\$ (539.4)	\$ 2,435.6
Average net operating loss carryforwards					980.6
Average accumulated other comprehensive income (loss)					(1,805.6)
Average common shareholders' equity					<u>\$ 1,610.6</u>
Return on equity ratios:					
Return on equity					6.1%
Operating return on common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	2.1%	6.4%	8.5%	NM	5.2%

69

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.

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

	<u>Q1 2008</u>	<u>Q2 2008</u>	<u>Q3 2008</u>	<u>Q4 2008</u>	<u>Q1 2009</u>
Corporate notes payable	\$ 1,167.7	\$ 1,167.9	\$ 1,168.0	\$ 1,311.5	\$ 1,310.5
Total shareholders' equity	<u>3,954.7</u>	<u>3,395.7</u>	<u>2,716.3</u>	<u>1,630.0</u>	<u>1,591.2</u>
Total capital	5,122.4	4,563.6	3,884.3	2,941.5	2,901.7
Less accumulated other comprehensive loss	<u>565.6</u>	<u>639.2</u>	<u>1,137.7</u>	<u>1,770.7</u>	<u>1,840.5</u>
Total capital, excluding accumulated other comprehensive loss (a non-GAAP financial measure)	<u>\$ 5,688.0</u>	<u>\$ 5,202.8</u>	<u>\$ 5,022.0</u>	<u>\$ 4,712.2</u>	<u>\$ 4,742.2</u>
Corporate notes payable	<u>\$ 1,167.7</u>	<u>\$ 1,167.9</u>	<u>\$ 1,168.0</u>	<u>\$ 1,311.5</u>	<u>\$ 1,310.5</u>
Corporate notes payable to capital ratios:					
Corporate debt to total capital	22.8%	25.6%	30.1%	44.6%	45.2%
Corporate debt to total capital, excluding accumulated other comprehensive loss (a non-GAAP financial measure)	20.5%	22.4%	23.3%	27.8%	27.6%

