CONSECO INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/94 for the Period Ending 09/30/94

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
CIK	0000719241
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

CONSECO INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/1994 For Period Ending 9/30/1994

Address	11825 N PENNSYLVANIA ST
	CARMEL, Indiana 46032
Telephone	317-817-6100
CIK	0000719241
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

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

Form 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1994

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-9250

Conseco, Inc.

Indiana	No. 35-1468632
State of Incorporation	IRS Employer Identification No.

11825 N. Pennsylvania Street Carmel, Indiana 46032	(317) 573-6100

Address of principal executive offices Telephone

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [X] No [ ]

Shares of common stock outstanding as of November 1, 1994: 24,470,614

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS

	September 30, 1994 (unaudited)	December 31, 1993 (audited)
Investments:		
Fixed maturities:		
Actively managed at fair value (amortized cost: 1994 - $7,152.9; 1993 - $9,525.4)	$ 6,865.3	$ 9,820.6
Held to maturity at amortized cost (fair value: 1994 - $ - ; 1993 - $1.6)	-	1.1
Equity securities at fair value (cost: 1994 - $40.9; 1993- $30.2)	37.1	30.3
Mortgage loans	144.9	158.4
Credit-tenant loans	49.0	326.9
Policy loans	176.4	190.0
Investment in Western National Corporation	157.3	-
Investment in CCP Insurance, Inc.	206.2	244.3
Other invested assets	71.1	64.2
Trading account securities	26.1	105.8
Short-term investments	425.2	666.4
Assets held in separate accounts	85.5	81.1
Total investments	8,244.1	11,689.1
Cash segregated for the conversion of subordinated convertible debentures of a subsidiary	66.5	-
Accrued investment income	118.3	168.3
Reinsurance receivables	41.2	511.1
Deferred income taxes	153.5	-
Cost of policies purchased	1,113.5	603.7
Cost of policies produced	242.4	258.6
Goodwill (net of accumulated amortization: 1994 - $20.6; 1993 - $14.3)	615.3	320.6
Property and equipment at cost (net of accumulated depreciation: 1994 - $25.0; 1993 - $21.1)	88.0	71.7
Securities segregated for future redemption of preferred stock of a subsidiary	35.5	-
Other assets	168.8	126.2
Total assets	$10,887.1	$13,749.3

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, continued
(Dollars in millions)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1994 (unaudited)	December 31, 1993 (audited)
Liabilities:		
Insurance liabilities	$ 8,249.0	$10,798.3
Income tax liabilities	-	118.2
Investment borrowings	151.7	427.7
Other liabilities	360.7	256.4
Liabilities related to separate accounts	85.1	79.0
Notes payable of Conseco	258.6	413.0
Notes payable of CCP II entities, not direct obligations of Conseco	374.4	-
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	279.8	290.3
Total liabilities	9,759.3	12,382.9
Minority interest	341.0	223.8
Shareholders' equity:		
Preferred stock	287.5	287.5
Common stock and additional paid-in capital, no par value, 500,000,000 shares authorized, shares outstanding: 1994 - 24,433,834; 1993 - 25,311,773	172.1	102.8
Unrealized appreciation (depreciation) of securities (net of applicable deferred income taxes: 1994 - $(53.6); 1993 - $41.8)	(203.6)	97.5
Retained earnings	530.8	654.8
Total shareholders' equity	786.8	1,142.6
Total liabilities and shareholders' equity	$10,887.1	$13,749.3

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions)
(unaudited)

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
Revenues:				
Insurance policy income	$320.2	$324.7	$ 954.2	$ 967.0
Investment activity:				
Net investment income	71.1	229.3	213.0	664.1
Net trading income (loss)	(1.2)	25.2	(3.6)	77.8
Net realized gain (loss)	(5.8)	34.2	(17.4)	104.3
Fee revenue	14.4	6.4	42.5	21.3
Equity in earnings of Western National Corporation	7.5	-	38.9	-
Equity in earnings of CCP Insurance, Inc.	5.0	8.6	22.2	25.9
Restructuring income	-	-	65.3	138.1
Other income	12.7	.3	12.9	.8
Total revenues	423.9	628.7	1,328.0	1,999.3
Benefits and expenses:				
Insurance policy benefits	223.8	248.9	680.1	752.5
Change in future policy benefits	11.7	22.1	31.5	52.2
Interest expense on annuities and financial products	19.1	100.5	51.9	308.3
Interest expense on long-term debt	12.2	12.9	37.4	42.5
Interest expense on short-term investment borrowings	1.3	4.1	6.2	7.6
Amortization related to operations	32.8	35.4	95.3	100.8
Amortization and change in future policy benefits related to realized gains and losses	(1.7)	29.0	(2.6)	84.5
Other operating costs and expenses	46.5	52.8	152.4	164.0
Total benefits and expenses	345.7	505.7	1,052.2	1,512.4
Income before income taxes, minority interest and extraordinary charge	78.2	123.0	275.8	486.9
Income tax expense	26.8	48.5	85.1	180.5
Income before minority interest and extraordinary charge	51.4	74.5	190.7	306.4
Less minority interest	15.6	22.3	38.2	60.4
Income before extraordinary charge	35.8	52.2	152.5	246.0
Extraordinary charge on extinguishment of debt, net of taxes and minority interest	-	-	2.4	10.9

(continued on next page)

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

CONSOLIDATED STATEMENT OF OPERATIONS, continued
(Dollars in millions, except per share data)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
Net income	35.8	52.2	150.1	235.1
Less preferred stock dividends	4.7	5.1	14.0	15.9
Earnings applicable to common stock	$ 31.1	$ 47.1	$ 136.1	$219.2
Earnings per common share and common equivalent share:				
Primary:				
Weighted average shares	25,740,000	29,220,000	26,850,000	29,269,000
Earnings before extraordinary charge	$1.21	$1.61	$5.16	$7.86
Extraordinary charge	-	-	(.09)	(.37)
Net income	$1.21	$1.61	$5.07	$7.49
Fully diluted:				
Weighted average shares	30,249,000	33,868,000	31,360,000	33,448,000
Earnings before extraordinary charge	$1.18	$1.53	$4.87	$7.26
Extraordinary charge	-	-	(.08)	(.32)
Net income	$1.18	$1.53	$4.79	$6.94

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Dollars in millions)
(unaudited)

	Nine months ended September 30, 1994	1993
Preferred stock:		
Balance, beginning of period	$ 287.5	$ 50.0
Series D preferred shares issued	-	287.5
Series B preferred shares redeemed	-	(50.0)
Balance, end of period	$ 287.5	$ 287.5
Common stock and additional paid-in capital:		
Balance, beginning of period	$ 102.8	$ 115.4
Amounts related to stock options and employee benefit plans	18.6	4.0
Tax benefit related to issuance of shares under employee benefit plans	67.8	15.2
Cost of shares acquired charged to common stock and additional paid-in capital	(17.1)	(25.3)
Cost of issuance of Series D preferred shares	-	(9.0)
Balance, end of period	$ 172.1	$ 100.3
Unrealized appreciation (depreciation) of securities:		
Balance, beginning of period	$ 97.5	$ 42.9
Change in unrealized appreciation (depreciation)	(301.1)	93.3
Balance, end of period	$(203.6)	$ 136.2
Retained earnings:		
Balance, beginning of period	$ 654.8	$ 386.0
Net income	150.1	235.1
Cost of shares acquired charged to retained earnings	(250.7)	-
Dividends on common stock	(9.4)	(4.4)
Dividends on preferred stock	(14.0)	(15.9)
Balance, end of period	$ 530.8	$ 600.8
Total shareholders' equity	$ 786.8	$1,124.8

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Nine months ended September 30, 1994	1993
Cash flows from operating activities:		
Net income	$ 150.1	$ 235.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	98.5	166.9
Income taxes	(11.5)	10.3
Insurance liabilities	41.1	86.7
Interest credited to insurance liabilities	51.9	308.3
Fees charged to insurance liabilities	(26.6)	(29.4)
Accrual and amortization of investment income	(15.1)	(57.4)
Deferral of cost of policies produced	(101.6)	(120.1)
Restructuring income	(65.3)	(138.1)
Equity in undistributed earnings of Western National Corporation	(36.9)	-
Equity in undistributed earnings of CCP Insurance, Inc.	(21.5)	(25.4)
Trading account securities	18.9	80.5
Minority interest	30.6	59.9
Extraordinary charge on extinguishment of debt	2.4	10.9
Other	(36.5)	(1.8)
Net cash provided by operating activities	78.5	586.4
Cash flows from investing activities:		
Proceeds from sale of shares of Western National Corporation and related transactions	537.9	-
Sales of investments	1,110.6	4,353.7
Maturities and redemptions	96.5	1,098.2
Purchases of investments	(1,569.2)	(7,603.7)
Cash received from reinsurance recapture	158.8	-
Purchase of additional shares of Bankers Life Holding Corporation	-	(237.6)
Purchase of additional shares of CCP Insurance, Inc.	-	(59.5)
Purchase of The Statesman Group, Inc.	(215.3)	-
Cash held by Western National Corporation before deconsolidation and the settlement of intercompany balances	(352.5)	-
Other	(6.9)	(66.9)
Net cash used by investing activities	(240.1)	(2,515.8)
Cash flows from financing activities:		
Issuance of capital stock	16.4	281.5
Issuance of equity interests in subsidiaries	67.6	405.3
Issuance of debt of Conseco, net	62.6	393.4
Issuance of debt of subsidiaries, net - not direct obligations of Conseco	306.3	-
Payments on debt of Conseco	(220.3)	(157.2)
Payments on debt of subsidiaries - not direct obligations of Conseco	(66.5)	(103.3)
Payments to repurchase equity securities of Conseco.	(267.8)	(75.3)
Payments to repurchase equity securities of subsidiary	(33.2)	(52.2)
Deposits to insurance liabilities	268.2	864.3
Investment borrowings	(55.5)	527.4
Withdrawals from insurance liabilities	(134.0)	(414.0)
Dividends paid	(23.4)	(15.3)
Net cash provided (used) by financing activities	(79.6)	1,654.6
Net decrease in short-term investments	(241.2)	(274.8)
Short-term investments, beginning of period	666.4	666.6
Short-term investments, end of period	$ 425.2	$ 391.8

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

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following notes should be read in conjunction with the notes to consolidated financial statements included in the 1993 Form 10-K of Conseco, Inc. ("Conseco" or the "Company").

SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements as of September 30, 1994, and for the three and nine months ended September 30, 1994 and 1993, reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly the Company's financial position and results of operations on a basis consistent with that of the prior audited consolidated financial statements. The consolidated financial statements include Conseco, its wholly owned subsidiaries, Bankers Life Holding Corporation and its wholly owned subsidiaries ("BLH") and Conseco Capital Partners II, L.P. ("CCP II") and its majority-owned subsidiaries. As sole general partner, Conseco exercises significant control over CCP II; therefore, the accounts of CCP II and its majority-owned subsidiaries are included in the consolidated financial statements. As described under "Acquisition of Statesman" in these notes, CCP II completed the acquisition of The Statesman Group, Inc. ("Statesman"), on September 29, 1994. The acquisition has been accounted for as a purchase. The purchase price of Statesman was allocated to the assets and liabilities acquired based on a preliminary determination of the values of the net assets acquired; accordingly, this allocation may be adjusted upon final determination of such values. The operations of Statesman will be included in the consolidated statement of operations of Conseco in periods beginning October 1, 1994.

Conseco's principal wholly owned insurance subsidiaries are Bankers National Life Insurance Company, National Fidelity Life Insurance Company and Lincoln American Life Insurance Company (collectively referred to as "Wholly Owned Insurance Subsidiaries"). In the first nine months of 1993 and as of December 31, 1993, the consolidated financial statements also included the accounts of Western National Life Insurance Company ("Western"). As described under "Investment in Western National Corporation" in these notes, Western National Corporation ("WNC"), a company formed to be the holding company for Western, completed an initial public offering ("IPO") of its common stock on February 15, 1994. The shares issued in the offering represented a 60 percent interest in WNC. The remaining common shares, which represent a 40 percent interest, are held by the Company. Accordingly, WNC is included in Conseco's financial statements on the equity basis as of January 1, 1994. Intercompany amounts and transactions among consolidated subsidiaries are eliminated. Certain amounts from the prior period were reclassified to conform to the 1994 presentation.

ADJUSTMENT TO ACTIVELY MANAGED FIXED MATURITIES

The Company classifies fixed maturity investments into two categories:
"actively managed" (which are carried at estimated fair value) and "held to maturity" (which are carried at amortized cost). No fixed maturity investments were classified in the "held to maturity" category at September 30, 1994. The adjustment to carry actively managed fixed maturity investments at fair value (as described in note 1 to the consolidated financial statements included in the Company's 1993 Form 10-K) resulted in the following cumulative effects on balance sheet accounts as of September 30, 1994:

	Balance before Adjustment	Adjustment to Carry Actively Managed Fixed Maturities at Fair Value	Reported Amount
		(Dollars in millions)	
Actively managed fixed maturities	$7,152.9	$(287.6)	$6,865.3
Cost of policies purchased	1,036.3	77.2	1,113.5
Cost of policies produced	230.6	11.8	242.4
Deferred income taxes	84.0	69.5	153.5
Minority interest	386.2	(45.2)	341.0
Unrealized depreciation of securities	(119.7)	(83.9)	(203.6)

ACQUISITION OF STATESMAN

On September 29, 1994, CCP II completed the acquisition of Statesman (the "Acquisition"). After the Acquisition and related financing transactions, CCP II owns approximately 80 percent of the outstanding shares of Statesman's common stock. Conseco formed CCP II in February 1994 with several other investors for the purpose of investing in acquisitions of annuity, life and accident and health insurance companies and related businesses. Conseco, through its direct investment and through its equity interest in the investments made by BLH, CCP Insurance, Inc. ("CCP") and WNC, has approximately a 27 percent ownership interest in Statesman.

The Acquisition was consummated pursuant to an Agreement and Plan of Merger dated May 1, 1994, providing for the merger of Statesman with a subsidiary of CCP II. Statesman's former stockholders received $15.25 in cash per common equivalent share plus a contingent payment right to receive up to another $2.00 in cash per common equivalent share (the "Contingent Consideration") based on the outcome of Statesman's pending litigation against the U.S. Government concerning Statesman's former savings bank subsidiary (the "Government Litigation").

The Acquisition and related transactions were funded with: (i) $45.0 million of cash contributions made to CCP II by its partners (including $7.2 million provided by wholly owned subsidiaries of Conseco, $1.8 million by BLH, $1.8 million by CCP and $3.6 million by WNC), (ii) $57.0 million in cash from the sale in a private placement of the payment-in-kind preferred stock of Statesman (the "Statesman PIK Preferred Stock") (including $25.9 million purchased by BLH and $24.0 million purchased by CCP), (iii) $150.0 million in cash from the sale in a public offering by ALHC Merger Corporation, a subsidiary of CCP II which was merged into American Life Holding Company ("ALHC"), a wholly owned subsidiary of Statesman, of its 11-1/4% Senior Subordinated Notes due 2004 (the "ALHC Senior Subordinated Notes") and (iv) $200.0 million in cash from a senior secured loan (the "ALHC Senior Term Loan") obtained by ALHC Merger Corporation. The sources and uses of this financing are summarized below (dollars in millions):

Sources of Funds:		
ALHC Senior Term Loan:		
Borrowed upon closing of the Acquisition	$170.0	
Borrowed upon determination of Government Litigation	30.0	(i)
ALHC Senior Subordinated Notes	150.0	
Statesman PIK Preferred Stock	57.0	
Common equity contribution from CCP II	45.0	

Total sources	$452.0	
	======	
Uses of Funds:		
Payment of cash consideration to acquire Statesman	$314.1	(ii)
Payment upon determination of Government Litigation	30.1	(i)
Repayment of bank indebtedness of a subsidiary of Statesman	55.5	(iii)
Transaction fees and expenses	14.8	
Purchase of surplus note from American Life and Casualty Insurance Company ("American Life"), Statesman's principal operating subsidiary	24.0	
Cash retained	13.5	

Total uses	$452.0	
	======	

(i) In the event of an unfavorable determination of the Government Litigation against the U.S. Government, $30.1 million would be paid to the holders of Statesman's 1988 Series I and II Preferred Stock $1 Par (the "Statesman 1988 Series Preferred Stock"), which is currently held by the U.S. Government. In the event of a favorable determination of this litigation, the same amount, representing a portion of the Contingent Consideration, would be paid to the other former stockholders of Statesman.

(ii) This amount assumes conversion of all outstanding 6-1/4% Convertible Subordinated Debentures due 2003 of Statesman (the "Convertible Debentures"), which were convertible into an aggregate of 4,528,125 shares of Statesman common stock. To the extent that any holders of the Convertible Debentures do not convert such securities, the proceeds which would have been used to pay such holders will be held in escrow until the Convertible Debentures are converted by the holders thereof, are redeemed by Statesman, or mature.

(iii) A subsidiary of Statesman was the borrower under a credit facility with an outstanding balance including accrued interest and fees of $55.5 million at the Acquisition date, which was repaid with a portion of the proceeds from the financing.

In accordance with the CCP II partnership agreement, Conseco earned fees of $2.5 million (net of taxes of $1.3 million) for services related to the financing of the Acquisition.

The ALHC Senior Term Loan was provided by a syndicate of lenders with Bank of America Illinois (formerly Continental Bank, N.A.) (the "Bank") as the agent. The loan has two tranches. One tranche has an aggregate principal amount of $160.0 million ("Tranche A") and the other tranche has an aggregate principal amount of $40.0 million ("Tranche B"). On the Acquisition date, $130.0 million and $40.0 million were borrowed under Tranche A and Tranche B, respectively, with the remaining $30.0 million to be borrowed at a later date when needed to redeem the Statesman 1988 Series Preferred Stock, which is currently held by the U.S. Government, or pay the Contingent Consideration, depending on the outcome of the Government Litigation.

Tranche A and Tranche B bear interest at a rate of either: (i) the Bank's Alternate Reference Rate plus an applicable margin payable monthly; or (ii) the Interbank Offered Rate ("IBOR") plus an applicable margin for periods of one, two, three or six months as selected by ALHC from time to time (such rate selected for the first three month period was 7.5 percent and 8.0 percent for Tranche A and Tranche B, respectively.) The applicable margin for the rate based on the Bank's Alternate Reference Rate will vary from .25 percent to 1.0 percent for Tranche A and from .75 percent to 1.5 percent for Tranche B, depending on the principal amount plus unused commitments. The applicable margin for the rate based on IBOR will vary from 1.5 percent to 2.25 percent for Tranche A and from 2.0 percent to 2.75 percent for Tranche B, depending on the principal amount plus unused commitments.

The principal amounts of Tranche A and Tranche B are payable in annual installments on April 1 of each year according to the following amortization schedule (dollars in millions):

Payment Date	Principal Installment Tranche A	Tranche B
1995	$ 15.0	$ -
1996	16.5	.5
1997	23.5	.5
1998	26.0	.5
1999	26.0	.5
2000	26.0	.5
2001	27.0	.5
2002	-	37.0
	$160.0	$40.0

Mandatory prepayments will be required (i) from 50 percent of Excess Cash Flow (as defined in the loan agreement); (ii) upon the sale or disposition of any significant assets other than in the ordinary course of business; and (iii) upon the sale or issuance of debt or equity securities of Statesman or any of its subsidiaries. The ALHC Senior Term Loan is secured by, among other things, pledges of the capital stock of ALHC's subsidiaries (American Life and American Life and Casualty Marketing Division Co. ("AMCO")) and the surplus notes of American Life held by ALHC. The ALHC Senior Term Loan is unconditionally guaranteed by Statesman and AMCO. In addition, CCP II has pledged to the lenders the Statesman common stock owned by CCP II.

The ALHC Senior Subordinated Notes bear interest at 11.25 percent, payable semiannually on March 15 and September 15, and will mature on September 15, 2004. The ALHC Senior Subordinated Notes are redeemable at the option of ALHC, in whole or in part, at any time on and after September 15, 1999, initially at 105.625 percent of their principal amount, plus accrued interest, declining to 100 percent of their principal amount, plus accrued interest, on and after September 15, 2001.

Dividends on the Statesman PIK Preferred Stock accrue annually at 13 percent in additional shares of Statesman PIK Preferred Stock through 2005. Thereafter, dividends are payable quarterly at 15 percent per annum in cash. The Statesman PIK Preferred Stock ranks senior to the Statesman common stock with respect to dividends, and upon liquidation, the Statesman PIK Preferred Stock will carry a liquidation preference equal to $1,000 per share, plus accrued unpaid dividends. The Statesman PIK Preferred Stock is redeemable at the option of Statesman, in whole or from time to time in part. The optional redemption price of the Statesman PIK Preferred Stock will be $1,000 per share, plus any accrued and unpaid dividends, and the Statesman PIK Preferred Stock generally will not have any voting rights. As partial consideration for the purchase of the Statesman PIK Preferred Stock, the purchasers received common stock representing 20 percent of the common shares of Statesman outstanding immediately after the Acquisition.

The acquisition of Statesman described above was recorded in the consolidated statement of cash flows as follows (dollars in millions):

Fixed maturities	$(3,913.9)
Mortgage loans	(68.2)
Policy loans	(59.1)
Cash segregated for future conversion of convertible subordinated debentures of a subsidiary	(66.5)
Securities segregated for future redemption of preferred stock of a subsidiary	(35.5)
Other investments	(51.9)
Cost of policies purchased	(515.6)
Goodwill	(302.4)
Deferred income taxes	(101.3)
Reinsurance receivables	(5.6)
Insurance liabilities	4,658.4
Notes payable	123.6
Minority interest	99.0
Other	23.7
Cash used	$ (215.3)

INVESTMENT IN WESTERN NATIONAL CORPORATION

On February 15, 1994, WNC completed the IPO of 37.2 million shares of common stock, of which 2.3 million shares were sold by WNC and 34.9 million shares were sold by Conseco. In addition, Conseco sold .2 million shares to the president of WNC at the IPO price, less underwriting discounts and commissions. Prior to the IPO, Western and WNC were wholly owned subsidiaries of Conseco. WNC was formed in October 1993 to be the holding company for Western. In connection with the organization of WNC and the transfer of the stock of Western to WNC by Conseco, WNC issued 60 million shares of its common stock and a $150.0 million, 6.75 percent senior note due March 31, 1996 (the "Conseco Note") to Conseco. On February 22, 1994, WNC completed a public offering of $150.0 million aggregate principal amount of 7.125 percent senior notes due February 15, 2004. The net proceeds from the offering of $147.5 million (after original issue discount, underwriting discount and offering expenses) and certain proceeds from WNC's IPO of common stock were used to repay the Conseco Note.

The shares sold in the IPO and the related sale to the president of WNC represent a 60 percent interest in WNC. The remaining common shares, which represent a 40 percent interest, are held by Conseco. Net pretax proceeds to Conseco from the repayment of the Conseco Note and the sale of WNC shares totaling $537.9 million were used to repay a $200 million senior unsecured loan and for other general corporate purposes. Effective January 1, 1994, WNC is included in Conseco's financial statements on the equity method. In the first quarter of 1994, Conseco recorded a gain of approximately $42.4 million (net of taxes of $22.9 million) as a result of these transactions.

PRO FORMA DATA

The pro forma data are presented as if the following transactions had all occurred on January 1, 1993: (i) the acquisition of Statesman; (ii) the IPO of WNC; and (iii) the IPO of BLH and Conseco's subsequent purchases of additional shares of BLH and CCP (as described in the notes to the consolidated financial statements included in Conseco's 1993 Form 10-K).

	Nine months ended September 30, 1994(a)	Nine months ended September 30, 1993(b)
	(Dollars in millions, except per share data)	
Revenues	$ 1,548.2	$1,614.7
Income before extraordinary charge	101.7	115.5
Income before extraordinary charge per common share:		
Primary	3.27	3.40
Fully diluted	3.25	3.36

(a) Excludes revenues, net income, net income per primary common share and net income per fully diluted common share related to the gain on the sale which resulted from WNC's IPO and related transactions of $65.3 million, $42.4 million, $1.58 and $1.35, respectively. Also excludes net income, net income per primary common share and net income per fully diluted common share related to fees for services provided relating to the financing of the Acquisition of $2.5 million, $.09 and $.08, respectively.

(b) Excludes revenues, net income, net income per primary common share and net income per fully diluted common share related to the gain on the sale and incentive earnings allocation which resulted from BLH's IPO and related transactions of $138.1 million, $83.3 million, $2.85 and $2.49, respectively.

CHANGES IN LONG-TERM DEBT

Notes Payable of Conseco

In February 1994, the Company repaid in full a $200 million senior unsecured loan executed in connection with the Company's acquisition of additional BLH common shares in September 1993. The loan was repaid from the proceeds of the sale of shares of WNC and resulted in an extraordinary charge of $1.2 million (net of a $.6 million tax benefit).

In March 1994, the Company repaid two unsecured promissory notes having a total book value of $19.2 million, resulting in an extraordinary charge of $.7 million (net of a $.4 million tax benefit).

In April 1994, the Company entered into a revolving credit agreement which provides a $140.0 million credit facility through May 1, 1997; $63.0 million was borrowed at September 30, 1994 under the facility. Borrowings of $8.0 million were repaid on October 3, 1994. The agreement permits borrowings based on defined rates plus an applicable margin based on the rating of the Company's unsecured senior notes. The interest rate under the revolving credit agreement at September 30, 1994, was 5.69 percent. The Company pays a commitment fee equal to .25 percent per annum on the average daily unused commitments. The Company must prepay the loan if certain ratios are not maintained. Conseco expects to repay the loan in connection with the acquisition described under "Pending Acquisition."

Notes Payable of CCP II Entities (not direct obligations of Conseco)

Notes payable issued to finance the Statesman acquisition are described under "Acquisition of Statesman" in these notes. In addition, Statesman's notes payable at September 30, 1994 included: (i) 6.25 percent Convertible Subordinated Debentures due 2003 (the "Debentures") with a par value and carrying value of $66.5 million; and (ii) $1.6 million due under capital lease obligations. Unless previously redeemed, the Debentures are convertible at any time prior to maturity into shares of the Statesman's common stock at a conversion ratio of 65.625 shares of common stock for each 1,000 principal amount of debentures ($15.24 per share of common stock). As a result of the Acquisition, holders of the Debentures are entitled to receive, at their option, the same consideration given to the holders of Statesman common stock for each share of Statesman common stock into which such securities were convertible prior to the Acquisition. Such amount aggregates $66.5 million at September 30, 1994, and will be held in escrow until the debentures are converted, redeemed or mature.

Notes Payable of BLH (not direct obligations of Conseco)

During March 1994, BLH made a scheduled $11.0 million principal payment on the senior term loan. The interest rate on BLH's senior term loan was 7.75 percent at September 30, 1994.

Notes Payable of CCP

In the first quarter of 1994, CCP repaid an unsecured note, resulting in an extraordinary charge to CCP of $1.3 million (net of a $.7 million tax benefit). Conseco's share of this charge ($.5 million) is included as an extraordinary charge in the consolidated statement of operations.

CHANGES IN CAPITAL STOCK

In February 1994, Conseco implemented an option exercise program under which its chief executive officer and four executive vice presidents exercised outstanding options to purchase approximately 3.6 million shares of the Company's common stock. The options would otherwise have remained exercisable until the years 1999 and 2000. As a result of the exercise, the Company realized a tax deduction equal to the aggregate tax gain recognized by the executives. The tax benefit of $67.8 million (net of payroll taxes incurred of $2.9 million) and the proceeds from the exercise of these and other employee options of $16.4 million were reflected as increases in common stock and paid-in capital. The Company withheld sufficient shares to cover federal and state taxes owed by the executives as a result of the exercise transactions. Net of withheld shares, the Company issued approximately 1.8 million common shares to the executives. The Company also granted to the executive officers new options to purchase a total of 3,016,000 shares of the Company's common stock at $59.25 per share (the market price at the date of such grant) under the 1994 Stock and Incentive Plan to replace the shares surrendered for taxes and the exercise price on these and other recent option exercises and as the 1994 incentive grant to six executives.

In addition to the 1.8 million shares repurchased as described above, the Company repurchased approximately 2.9 million common shares during the first nine months of 1994, as part of its previously announced stock repurchase program. The total cost of shares repurchased during the first three quarters of 1994 of $267.8 million was allocated to shareholders' equity accounts as follows: (i) $17.1 million to common stock and paid-in capital (such allocation was based on the average common stock and paid-in capital balance per share); and (ii) $250.7 million to retained earnings.

During the first nine months of 1994, 3,885 shares of common stock were contributed to employee benefit plans. Additionally, $2.2 million was added to common stock and additional paid-in capital related to employee benefit plans.

REINSURANCE

The cost of reinsurance ceded for policies containing mortality or morbidity risks totaled $17.9 million and $20.4 million in the first nine months of 1994 and 1993, respectively. This cost was deducted from insurance policy income. Reinsurance premiums assumed on policies containing mortality risks totaled $3.1 million and $3.9 million in the first nine months of 1994 and 1993, respectively. Reinsurance recoveries netted against insurance policy benefits totaled $15.0 million and $25.8 million in the first nine months of 1994 and 1993, respectively.

Effective April 1, 1994, BLH recaptured certain annuity business previously ceded to an unaffiliated company and retroceded to an affiliate of Southwestern Life Corporation (formerly ICH Corporation). The excess of assumed liabilities of $390.2 million over acquired assets of $371.0 million was capitalized as a component of cost of policies purchased.

CHANGES IN MINORITY INTEREST

Changes in minority interest during the first nine months of 1994 and 1993 are summarized below (dollars in millions):

	1994	1993
Minority interest, beginning of period	$223.8	$ 24.0
Changes in investments made by minority shareholders:		
Preferred stock of a subsidiary of Statesman outstanding at the Acquisition date	99.0 (i)	-
Investment in Statesman PIK Preferred Stock	31.1 (ii)	-
Investment in CCP II	36.0 (ii)	-
Change in investment in BLH	-	174.4 (iii)
Repurchase of equity securities by BLH	(33.2)	(52.2)
Minority interests' equity in the change in financial position of the Company's subsidiaries:		
Net income before extraordinary charge	38.2	60.4
Extraordinary charge	-	(3.3)
Unrealized appreciation (depreciation) of securities	(43.4)	12.4
Dividends	(10.5)	(1.5)
Minority interest, end of period	$341.0	$214.2

(i) Consists of 2,760,000 shares of $2.16 Redeemable Cumulative Preferred Stock (the "$2.16 Preferred Shares") and 1,200,000 shares of $2.32 Redeemable Cumulative Preferred Stock (the "$2.32 Preferred Shares").

The $2.16 Preferred Shares are entitled to cash dividends of $2.16 per share payable quarterly and may be redeemed in whole or in part, at any time after August 25, 1997, at $26.25 per share declining to $25.00 per share on or after September 30, 2000, plus cumulative unpaid dividends. The $2.16 Preferred Shares are mandatorily redeemable on September 30, 2007.

The $2.32 Preferred Shares are entitled to cash dividends of $2.32 per share payable quarterly and may be redeemed in whole or in part, at any time after February 2, 1998, at $26.25 per share declining to $25.00 per share on or after February 1, 2001, plus unpaid cumulative dividends. The $2.32 Preferred Shares are mandatorily redeemable on February 15, 2008.

Zero coupon bonds have been placed in an escrow account to be used for the future redemption of the preferred stock on or before their mandatory redemption dates. The aggregate redemption values and the maturity dates of such zero coupon bonds correspond to the redemption values (excluding cumulative unpaid dividends) and the mandatory redemption dates of the $2.16 Preferred Shares and the $2.32 Preferred Shares.

(ii) See "Acquisition of Statesman" in these notes.

(iii) Represents the change in minority interest attributable to the minority interests' share of the net increase in BLH's shareholders' equity resulting from the initial public offering of BLH, partially offset by Conseco's purchase of the common stock of BLH from a minority shareholder in September 1993.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion highlights material factors affecting the results of operations and the significant changes in balance sheet items. The comparison of 1994 and 1993 balances in the consolidated financial statements is largely affected by the transactions described in the notes to the consolidated financial statements included herein and the notes to the consolidated financial statements included in the 1993 Form 10-K of Conseco. This discussion should be read in conjunction with the aforementioned consolidated financial statements and related notes.

RESULTS OF OPERATIONS

Conseco's earnings result from three different activities:

- Operations of life insurance companies;
- Services provided to affiliates and non-affiliates for fees; and
- Restructuring activities, consisting of acquisition and restructuring of life insurance companies currently conducted through CCP II.

The following table shows the sources of Conseco's net income (after taxes and minority interest) disaggregated for the above three earnings activities.

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
	(Dollars in millions)			
Operations of life insurance companies:				
BLH:				
Operating earnings	$ 20.8	$ 7.3	$ 51.4	$ 21.2
Net trading income (loss)	-	.6	(.4)	5.3
Net realized gain (loss)	(.5)	(.1)	(2.4)	2.5
Extraordinary charge	-	-	-	(2.1)
Net income	20.3	7.8	48.6	26.9
WNC:				
Operating earnings	8.7	24.0	35.0	67.8
Net trading income	-	12.6	2.6	25.7
Net realized gain (loss)	(1.7)	(3.7)	(.1)	3.5
Net income	7.0	32.9	37.5	97.0
CCP:				
Operating earnings	5.0	5.1	20.1	16.6
Net trading income	-	2.2	-	4.3
Net realized gain (loss)	(.4)	.6	.5	3.0
Extraordinary charge	-	-	(.5)	-
Net income	4.6	7.9	20.1	23.9
Wholly Owned Insurance Subsidiaries:				
Operating earnings	5.1	6.5	15.8	19.5
Net trading income (loss)	(.5)	.6	(.4)	7.1
Net realized gain (loss)	(1.3)	4.1	(7.0)	(.2)
Net income	3.3	11.2	8.4	26.4
Total from operations of life insurance companies:				
Operating earnings	39.6	42.9	122.3	125.1
Net trading income (loss)	(.5)	16.0	1.8	42.4
Net realized gain (loss)	(3.9)	.9	(9.0)	8.8
Extraordinary charge	-	-	(.5)	(2.1)
Net income	35.2	59.8	114.6	174.2
Services provided for fees:				
Services provided for fees	5.7	4.2	17.5	13.1
Statesman fees	2.5	-	2.5	-
Services provided for fees	8.2	4.2	20.0	13.1
Restructuring activities:				
Incentive earnings allocation	-	-	-	22.3
Sale of stock	-	(1.4)	42.4	61.0
Net income (loss)	-	(1.4)	42.4	83.3
Corporate and other:				
Operating expenses, net of revenues	(2.5)	(6.5)	(10.7)	(14.0)
Interest expense on long-term debt	(4.4)	(4.3)	(13.4)	(14.1)
Net trading income (loss)	(.3)	.1	(1.2)	.7
Net realized gain (loss)	(.4)	.3	.3	.7
Extraordinary charge	-	-	(1.9)	(8.8)
Net loss	(7.6)	(10.4)	(26.9)	(35.5)
Consolidated earnings:				
Operating earnings	40.9	36.3	118.2	110.1
Net trading income (loss)	(.8)	16.1	.6	43.1
Net realized gain (loss)	(4.3)	1.2	(8.7)	9.5
Restructuring income (loss)	-	(1.4)	42.4	83.3
Extraordinary charge	-	-	(2.4)	(10.9)

Net income	$ 35.8	$52.2	$150.1	$235.1

The disaggregated earnings summarized in the preceding schedule resulted in fully diluted earnings per share as follows:

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
	(Dollars in millions)			
Operations of life insurance companies:				
BLH:				
Operating earnings	$ .69	$ .21	$ 1.63	$ .64
Net trading income (loss)	-	.02	(.01)	.15
Net realized gain (loss)	(.02)	-	(.07)	.08
Extraordinary charge	-	-	-	(.06)
Net income	.67	.23	1.55	.81
WNC:				
Operating earnings	.29	.70	1.13	1.97
Net trading income	-	.37	.07	.75
Net realized gain (loss)	(.06)	(.11)	-	.10
Net income	.23	.96	1.20	2.82
CCP:				
Operating earnings	.16	.15	.64	.50
Net trading income	-	.06	-	.13
Net realized gain (loss)	(.01)	.02	.02	.09
Extraordinary charge	-	-	(.02)	-
Net income	.15	.23	.64	.72
Wholly Owned Insurance Subsidiaries:				
Operating earnings	.17	.21	.50	.56
Net trading income (loss)	(.01)	.01	-	.21
Net realized gain (loss)	(.05)	.12	(.23)	(.01)
Net income	.11	.34	.27	.76
Total from operations of life insurance companies:				
Operating earnings	1.31	1.27	3.90	3.67
Net trading income (loss)	(.01)	.46	.06	1.24
Net realized gain (loss)	(.14)	.03	(.28)	.26
Extraordinary charge	-	-	(.02)	(.06)
Net income	1.16	1.76	3.66	5.11
Services provided for fees:				
Services provided for fees	.19	.12	.56	.38
Statesman fees	.08	-	.08	-
Services provided for fees	.27	.12	.64	.38
Restructuring activities:				
Incentive earnings allocation	-	-	-	.67
Sale of stock	-	(.04)	1.35	1.82
Net income (loss)	-	(.04)	1.35	2.49
Corporate and other:				
Operating expenses, net of revenues	(.08)	(.19)	(.34)	(.41)
Interest expense	(.15)	(.13)	(.43)	(.41)
Net trading income (loss)	(.01)	-	(.04)	.02
Net realized gain (loss)	(.01)	.01	.01	.02
Extraordinary charge	-	-	(.06)	(.26)
Net loss	(.25)	(.31)	(.86)	(1.04)
Consolidated earnings:				
Operating earnings	1.35	1.07	3.77	3.23
Net trading income (loss)	(.02)	.46	.02	1.26
Net realized gain (loss)	(.15)	.04	(.27)	.28
Restructuring income (loss)	-	(.04)	1.35	2.49
Extraordinary charge	-	-	(.08)	(.32)

Net income	$1.18	$1.53	$ 4.79	$6.94

Additional Discussion of Consolidated Statement of Operations for the First Nine Months of 1994 Compared to the First Nine Months of 1993 and for the Third Quarter of 1994 Compared to the Third Quarter of 1993:

The following tables and narratives summarize amounts reported in the consolidated statement of operations for the first nine months of 1994 and 1993 and the third quarters of 1994 and 1993, disaggregated as previously described for Conseco's three earnings activities. Many of the changes which occurred in the consolidated statement of operations resulted from: (i) changes in Conseco's percentage ownership in BLH, WNC and CCP; and (ii) changes in control of WNC that affected the determination of whether such affiliate was to be included in Conseco's statement of operations under the consolidation or the equity method of accounting.

BLH:

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
	(Dollars in millions)			
Revenues:				
Insurance policy income	$306.4	$300.8	$ 909.9	$ 896.1
Investment activity:				
Net investment income	56.3	45.5	159.3	123.4
Net trading income (loss)	(.1)	4.3	(1.2)	25.8
Net realized gain (loss)	(2.9)	13.1	(5.8)	35.8
Other income	12.7	-	12.7	1.1
Total revenues	372.4	363.7	1,074.9	1,082.2
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	219.3	217.5	660.9	650.7
Interest expense on annuities and financial products	16.3	9.3	42.0	26.7
Interest expense on long-term debt	7.7	8.2	22.9	27.9
Amortization related to operations	31.3	28.7	90.9	83.3
Amortization related to realized gains	(1.5)	11.3	(1.3)	25.0
Other operating costs and expenses	35.7	37.2	108.8	115.8
Income before taxes, minority interest and extraordinary charge	62.6	50.4	145.4	150.3
Income tax expense	24.3	20.3	56.2	57.9
Income before minority interest and extraordinary charge	38.3	30.1	89.2	92.4
Minority interest	18.0	22.3	40.6	60.4
Extraordinary charge	-	-	-	2.1
Net income	20.3	7.8	48.6	29.9
Less preferred stock dividends	-	-	-	3.0
Earnings applicable to common stock	20.3	7.8	48.6	26.9
Summarized by component, all net of applicable expenses, taxes and minority interest:				
Operating earnings	$20.8	$ 7.3	$ 51.4	$ 21.2
Net trading income (loss)	-	.6	(.4)	5.3
Net realized gain (loss)	(.5)	(.1)	(2.4)	2.5
Extraordinary charge	-	-	-	(2.1)
Net income	20.3	7.8	48.6	26.9

General. Conseco's first quarter 1993 earnings reflected a 44 percent ownership interest in BLH. In March 1993, BLH completed an IPO of its common stock, thus reducing Conseco's ownership to 31 percent for the second quarter of 1993. On September 30, 1993, Conseco acquired 13.3 million additional common shares of BLH, increasing its ownership interest to 56 percent. During the first nine months of 1994, BLH acquired 1.6 million shares of its common stock at a cost of $33.2 million, which increased Conseco's ownership interest in BLH to 57 percent. While activities of BLH were included in Conseco's financial statements on a consolidated basis for all periods presented herein, the minority interest adjustment removes from Conseco's net income the portion applicable to other owners so that net income reflects only Conseco's applicable ownership interest. Such ownership interest was 44 percent during the first quarter of 1993, 32 percent during the second and third quarters of 1993, 56 percent during the fourth quarter of 1993, and 57 percent during the first nine months of 1994.

At September 30, 1994, the BLH shares owned by Conseco had a net carrying value of approximately $438.5 million and a cost of $313.1 million. The market value of these shares, based on the November 1, 1994, closing price of $18.875 per share, was approximately $573 million.

Insurance policy income. Insurance policy income increased in the third quarter and first nine months of 1994 compared to the 1993 periods primarily as a result of increases in Medicare supplement and long-term care premiums, offset by decreases in other individual health premiums (as anticipated) due to prior steps taken to improve the profitability of these products (see "Premiums Collected" which follows).

Net investment income. Net investment income increased 24 percent to $56.3 million in the third quarter of 1994 from $45.5 million in the third quarter of 1993, and increased 29 percent to $159.3 million in the first nine months of 1994 from $123.4 million in the first nine months of 1993. The increases were due to the growth of invested assets as a result of: (i) recurring operations; (ii) the recapture, effective April 1, 1994, of a reinsurance treaty with assets totaling $371.0 million; (iii) the recapture on March 31, 1993, of a reinsurance treaty with related assets totaling $182.0 million; and (iv) the capital transactions in connection with BLH's IPO, as discussed in the notes to the consolidated financial statements included in Conseco's 1993 Form 10-K, partially offset by lower yields on the investment portfolio.

Net trading income (loss). BLH had no net trading income (after applicable expenses, taxes and minority interest) in the third quarter of 1994, compared to $.6 million of net trading income in the third quarter of 1993. The net trading loss was $.4 million in the first nine months of 1994, compared to net trading income of $5.3 million in the same period of 1993. Net trading income often fluctuates from period to period as market conditions change for trading activities.

Net realized gain (loss). Net realized gain (loss) (after applicable expenses, amortization, change in future policy benefits and taxes) often fluctuates from period to period. BLH sold $180.5 million and $471.5 million of actively managed securities during the third quarters of 1994 and 1993, respectively, and $898.8 million and $1,601.7 million in the first nine months of 1994 and 1993, respectively. Such securities were sold in response to changes in the investment environment which created opportunities to enhance the total return of the investment portfolio without adversely affecting the quality of the portfolio or the matching of expected maturities of assets and liabilities.

The realization of investment gains and losses affects the timing of the amortization of the cost of policies purchased and the cost of policies produced. As a result of realized gains and losses from the sales of fixed maturity investments in the third quarters of 1994 and 1993, amortization of the cost of policies purchased and the cost of policies produced were decreased by $1.5 million and increased $11.3 million, respectively. As a result of realized gains and losses from the sales of fixed maturity investments in the first nine months of 1994 and 1993, amortization of the cost of policies purchased and the cost of policies produced were decreased by $1.3 million and increased by $25.0 million, respectively.

Other income. Other income of $12.7 million in the three and nine month periods ended September 30, 1994, includes amounts related to the resolution of several contingencies and a curtailment gain relating to the elimination of certain postretirement benefits.

Insurance policy benefits. The change in total insurance policy benefits (including change in future policy benefits) between the corresponding 1993 and 1994 periods is consistent with the change in insurance policy income.

Interest expense on annuities and financial products. Interest expense on annuities and financial products increased 75 percent to $16.3 million in the third quarter of 1994 from $9.3 million in the third quarter of 1993, and increased 57 percent to $42.0 million in the first nine months of 1994 from $26.7 million in the first nine months of 1993. Such increases reflect increased annuity liabilities from (i) the reinsurance recapture described under "Reinsurance" in the notes to the consolidated financial statements and
(ii) increased annuity sales described under "Premiums Collected", partially offset by reduced interest rates credited on these products.

Interest expense on long-term debt. Interest expense on long-term debt decreased 6 percent to $7.7 million in the third quarter of 1994 from $8.2 million in the third quarter of 1993, and decreased 18 percent to $22.9 million in the first nine months of 1994 from $27.9 million in first nine months of 1993. The reduction in interest expense was attributable to: (i) scheduled and unscheduled principal payments totaling $65.0 million on the senior term loan in March and April, 1993; (ii) the repurchase of $20.0 million senior subordinated notes of BLH in December 1993; (iii) the repayment of $36.7 million junior subordinated notes in March 1993; and (iv) the scheduled principal payment on the senior term loan of $11.0 million in March 1994.

Extraordinary charge. In the first nine months of 1993, BLH retired all of its junior subordinated notes and prepaid $55.0 million of its senior term loan resulting in a net extraordinary charge of $5.6 million, of which Conseco's share was $2.1 million.

WNC:

	Three months ended September 30, 1994 Total WNC	Three months ended September 30, 1994 Included in Conseco's Accounts	Three months ended September 30, 1993	Nine months ended September 30, 1994 Total WNC	Nine months ended September 30, 1994 Included in Conseco's Accounts	Nine months ended September 30, 1993
	(Dollars in millions)					
Revenues:						
Insurance policy income	$ 10.3	$ -	$ 3.6	$ 23.1	$ -	$ 17.3
Investment activity:						
Net investment income	161.3	-	160.7	472.2	-	448.4
Net trading income	-	-	19.9	3.7	-	40.0
Net realized gain (loss)	(11.8)	-	8.4	(8.3)	-	54.5
Equity in earnings of WNC	-	7.5	-	-	38.9	-
Total revenues	159.8	7.5	192.6	490.7	38.9	560.2
Benefits and expenses:						
Insurance policy benefits and change in future policy benefits	35.2	-	27.3	91.9	-	91.4
Interest expense on annuities and financial products	87.8	-	89.1	254.8	-	245.9
Interest expense on long-term debt	2.7	-	-	6.9	-	-
Amortization related to operations	4.4	-	4.9	13.2	-	12.5
Amortization and change in future policy benefits related to realized gains and losses	(4.6)	-	13.9	(1.1)	-	49.3
Other operating costs and expenses	3.9	-	1.4	10.2	-	4.7
Income before taxes	29.2	7.5	53.3	109.2	38.9	151.7
Income tax expense	10.4	.5	20.4	39.0	1.4	54.7
Net income	18.8	7.0	32.9	70.2	37.5	97.0
Summarized by component, all net of applicable expenses and taxes:						
Operating earnings	$23.5	$8.7	$24.0	$ 72.5	$ 35.0	$ 67.8
Net trading income	-	-	12.6	2.4	2.6	25.7
Net realized gain (loss)	(4.7)	(1.7)	(3.7)	(4.7)	(.1)	3.5
Net income	18.8	7.0	32.9	70.2	37.5	97.0

General. Prior to the completion of the IPO of WNC, Western and WNC were wholly owned subsidiaries of Conseco. As a result of the IPO, Conseco owns 40 percent of WNC. Accordingly, WNC is included in Conseco's financial statements on the equity method effective January 1, 1994. Amounts included in Conseco's accounts for the first nine months of 1994 reflected: (i) all of WNC's earnings for the period through February 15, 1994, the date the IPO was completed; and (ii) 40 percent of WNC's earnings for the remainder of the period. At September 30, 1994, the shares of WNC owned by Conseco had a net carrying value of $157.3 million and an initial cost of $44.7 million. The market value of these shares, based on the November 1, 1994, closing price of $11.875 per share, was approximately $296 million.

Insurance policy income. Insurance policy income relates primarily to premiums from products with mortality and morbidity features. The increase in insurance policy income during the third quarter of 1994 compared to the third quarter of 1993 as well as the first nine months of 1994 compared to the first nine months of 1993 was the result of increased sales of single premium immediate annuities with life contingencies ("SPIAs"). Western does not emphasize generating new premiums from products with mortality or morbidity features.

Net investment income. Total net investment income of WNC increased slightly to $161.3 million in the third quarter of 1994 from $160.7 million in the third quarter of 1993, and increased 5.3 percent to $472.2 million in the first nine months of 1994 from $448.4 million in the first nine months of 1993. Net investment income increased during the periods presented because of the growth of invested assets resulting from: (i) operations; (ii) the recapture of reinsurance from subsidiaries of Conseco on March 31, 1993, resulting in an increase of $1.3 billion in insurance liabilities and assets; and (iii) the recapture of reinsurance from a nonaffiliated company on June 30, 1993, resulting in an increase of $156.5 million in insurance liabilities and assets, partially offset by lower yields on the investment portfolio. In addition, during the third quarter of 1993, fixed maturity investments were redeemed prior to their scheduled maturity dates, resulting in additional investment income of approximately $3.4 million. During the nine months ended September 30, 1994 and 1993, such additional investment income was approximately $2.7 million and $14.4 million, respectively.

Net trading income. WNC had no net trading income (after applicable expenses and taxes) in the third quarter of 1994, compared to $12.6 million of net trading income in the third quarter of 1993. Net trading income was $2.4 million in the first nine months of 1994 compared to net trading income of $25.7 million in the same period of 1993. Net trading income often fluctuates from period to period as market conditions change for trading activities. Furthermore, WNC's management's decision to de-emphasize trading activity contributed to the decline.

Net realized gain (loss). Net realized gain (loss) (after applicable expenses, amortization, change in future policy benefits and taxes) often fluctuate from period to period. Western sold fixed maturity investments of $835.6 million and $647.0 million in the third quarters of 1994 and 1993, respectively, and $2,534.9 million and $2,270.5 million in the first nine months of 1994 and 1993, respectively. Such securities were sold in response to changes in the investment environment which created opportunities to enhance the total return of the investment portfolio without adversely affecting the quality of the portfolio or the matching of expected maturities of the assets and liabilities. Additionally, during the third quarter of 1994, WNC elected to sell securities in order to shorten the maturity structure of its investment portfolio and to provide a better match with its liability structure which tends to shorten in rising interest rate environments. WNC's management expects further net realized losses will be recognized in the fourth quarter of 1994 as a result of continuing efforts to shorten the average portfolio maturity.

The realization of investment gains and losses affects: (i) the timing of the amortization of the cost of policies purchased and the cost of policies produced; and (ii) the change in future policy benefits. As a result of realized gains and losses from the sales of fixed maturity investments in the third quarters of 1994 and 1993, amortization and change in future policy reserves related to realized gains and losses were $(4.6) million and $13.9 million, respectively. The negative amortization in the third quarter of the 1994 reflects the effect of the realization of investment losses and subsequent reinvestment of the proceeds at comparably higher rates on the cost of policies purchased and the cost of policies produced for investment-type contracts (principally annuities). Amortization and change in future policy reserves related to realized gains and losses in the first nine months of 1994 and 1993 were $(1.1) million and $49.3 million, respectively.

Insurance policy benefits. Total insurance policy benefits (including change in future policy benefits) increased 29 percent to $35.2 million in the third quarter of 1994 from $27.3 million in the third quarter of 1993, as a result of increased sales of SPIAs. Such benefits increased slightly to $91.9 million in the first nine months of 1994 from $91.4 million in the first nine months of 1993, as a result of the increase in sales of SPIAs, offset by changes in mortality experience.

Interest expense on annuities and financial products. Interest expense on annuities and financial products decreased slightly to $87.8 million in the third quarter of 1994 from $89.1 million in the third quarter of 1993. Such decrease reflects the reduced interest rates credited on these products, net of increased annuity liabilities. This account increased 4 percent to $254.8 million in the first nine months of 1994 from $245.9 million in the first nine months of 1993. Such increase reflects the increased annuity liabilities from both (i) operations and (ii) the reinsurance recaptures described under "Net investment income" above, partially offset by reduced interest rates credited on these products. The average rate credited on all insurance liabilities was 6.3 percent and 6.6 percent at September 30, 1994 and 1993, respectively.

Interest expense on long-term debt. WNC completed its public offering of $150.0 million aggregate principal amount 7.125 percent senior notes on February 22, 1994. Interest expense in the 1994 periods relates principally to such notes.

Other operating costs and expenses. Other operating expenses increased 179 percent to $3.9 million in the third quarter of 1994 from $1.4 million in the third quarter of 1993, and increased 117 percent to $10.2 million in the first nine months of 1994 from $4.7 million in the first nine months of 1993, primarily as a result of the additional costs incurred in establishing WNC as a separate holding company.

CCP:

	Three months ended September 30,			
	1994		1993	
	Total CCP	Included in Conseco's Accounts	Total CCP	Included in Conseco's Accounts
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 30.0	$ -	$ 34.3	$ -
Investment activity:				
Net investment income	88.8	-	100.8	-
Net trading income	-	-	9.6	-
Net realized gain	(2.3)	-	12.2	-
Equity in earnings of CCP	-	5.0	-	8.6
Total revenues	116.5	5.0	156.9	8.6
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	21.7	-	19.9	-
Interest expense on annuities and financial products	51.4	-	58.0	-
Interest expense on long-term debt	2.6	-	4.0	-
Interest expense on short-term investment borrowing	.9	-	1.4	-
Amortization related to operations	7.1	-	7.9	-
Amortization and change in future policy benefits related to realized gains	(.9)	-	8.9	-
Other operating costs and expenses	14.3	-	14.9	-
Income before taxes and extraordinary charge	19.4	5.0	41.9	8.6
Income tax expense	6.8	.4	18.6	.7
Income before extraordinary charge	12.6	4.6	23.3	7.9
Extraordinary charge	-	-	-	-
Net income	12.6	4.6	23.3	7.9
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	$ 13.5	$5.0	$ 16.8	$ 5.1
Net trading income	-	-	6.1	2.2
Net realized gain (loss)	(.9)	(.4)	.4	.6
Extraordinary charge	-	-	-	-
Net income	12.6	4.6	23.3	7.9

	Nine months ended September 30,			
	1994		1993	
	Total CCP	Included in Conseco's Accounts	Total CCP	Included in Conseco's Accounts
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 88.2	$ -	$ 97.5	$ -
Investment activity:				
Net investment income	276.8	-	309.2	-
Net trading income	-	-	19.3	-
Net realized gain	8.6	-	32.1	-
Equity in earnings of CCP	-	22.2	-	25.9
Equity in earnings of BLH	-	-	1.2	-
Restructuring income	-	-	10.5	-
Total revenues	373.6	22.2	469.8	25.9
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	54.9	-	62.2	-
Interest expense on annuities and financial products	156.8	-	186.5	-
Interest expense on long-term debt	7.7	-	12.4	-
Interest expense on short-term investment borrowings	4.8	-	2.3	-
Amortization related to operations	20.2	-	23.0	-
Amortization and change in future policy benefits related to realized gains	5.5	-	17.7	-
Other operating costs and expenses	36.5	-	39.2	-
Income before taxes and extraordinary charge	87.2	22.2	126.5	25.9
Income tax expense	31.7	1.6	48.1	2.0
Income before extraordinary charge	55.5	20.6	78.4	23.9
Extraordinary charge	1.3	.5	-	-
Net income	54.2	20.1	78.4	23.9
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	$ 54.1	$20.1	$ 58.5	$ 16.6
Net trading income	-	-	12.5	4.3
Net realized gain	1.4	.5	7.4	3.0
Extraordinary charge	(1.3)	(.5)	-	-
Net income	54.2	20.1	78.4	23.9

CCP's earnings during the third quarters of 1994 and 1993 and the first nine months of 1994 and 1993 were affected by: (i) reduced interest expense resulting from the reduction in CCP's long-term debt through scheduled and unscheduled principal payments and lower interest rates; (ii) reduced trading income resulting from less favorable market conditions; (iii) restructuring income earned in the first quarter of 1993; (iv) unfavorable mortality and morbidity experience; (v) lower investment income due to lower average invested assets, prepayment income and investment yields; and (vi) reduced operating costs resulting from lower policy maintenance expenses and other factors. Conseco's equity in the earnings of CCP during this period was affected by these factors and changes in Conseco's ownership interest in CCP resulting from: (i) Conseco's acquisition of 2.3 million additional shares of CCP in the first nine months of 1993; and (ii) CCP's repurchase of 2.0 million common shares in open market transactions in the first nine months of 1994. Conseco's equity in the earnings of CCP in the first nine months of 1994 included a $.5 million extraordinary charge related to CCP's prepayment of debt. At September 30, 1994, Conseco owned 43 percent of the common stock of CCP. Such shares owned by Conseco had a net carrying value of $206.2 million and a total cost to Conseco of $102.8 million. The market value of these shares, based on the November 1, 1994, closing price of $15.50 per share, was approximately $179 million.

CCP was a partner in the investment of Conseco Capital Partners, L.P. (the "Partnership") in BLH. In conjunction with BLH's IPO, CCP's investment in the Partnership was exchanged for approximately 2.8 percent of the common stock of BLH. Through the date of the IPO, CCP recognized equity in earnings of BLH of $1.2 million in the first quarter of 1993. A gain on the sale of stock by BLH of $10.5 million was recognized in the first quarter of 1993. After the IPO, CCP's investment in BLH is carried at fair value, with any unrealized gain or loss, net of tax, included directly in shareholders' equity.

Because Conseco's investment in BLH is accounted for using the consolidation method, Conseco's ownership interest in BLH through CCP is included in the "BLH" segment. Conseco's ownership interest in the gain recognized by CCP in conjunction with BLH's IPO is included in the "Restructuring Activities" segment.

WHOLLY OWNED INSURANCE SUBSIDIARIES:

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
	(Dollars in millions)			
Revenues:				
Insurance policy income	$13.8	$20.3	$ 44.3	$ 54.6
Investment activity:				
Net investment income	18.5	24.7	57.4	90.3
Net trading income (loss)	(.6)	.8	(.5)	10.7
Net realized gain (loss)	(2.4)	12.0	(12.1)	12.6
Total revenues	29.3	57.8	89.1	168.2
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	16.2	26.9	50.7	63.3
Interest expense on annuities and financial products	2.7	2.1	9.9	35.7
Amortization related to operations	1.4	1.8	4.2	5.9
Amortization related to realized gains and losses	(.2)	3.8	(1.3)	10.2
Other operating costs and expenses	2.0	3.1	10.7	10.3
Income before taxes	7.3	20.1	14.7	43.0
Income tax expense	4.0	8.9	6.3	16.6
Net income	3.3	11.2	8.4	26.4
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	$ 5.1	$ 6.5	$ 15.8	$ 19.5
Net trading income (loss)	(.5)	.6	(.4)	7.1
Net realized gain (loss)	(1.3)	4.1	(7.0)	(.2)
Net income	3.3	11.2	8.4	26.4

Insurance policy income. Insurance policy income relates primarily to premiums from products with mortality and morbidity features. The amount of insurance policy income in 1994 reflects the decreased emphasis on generating new premiums from such products.

Net investment income. Net investment income of the wholly owned insurance subsidiaries decreased 25 percent to $18.5 million in the third quarter of 1994 from $24.7 million in the third quarter of 1993, and decreased 36 percent to $57.4 million in the first nine months of 1994 from $90.3 million in the first nine months of 1993. Such decrease is the result of several factors including: (i) a reduction in investment income related to the separate account activities (see interest expense on annuities and financial products);
(ii) the purchase of additional shares of BLH; (iii) lower yields on the investment portfolios; and (iv) for the nine month periods the recapture of reinsurance by Western from Conseco's wholly owned insurance subsidiaries on March 31, 1993, which resulted in a decrease of $1.3 billion in insurance liabilities and assets. In addition, during the third quarters of 1994 and 1993, fixed maturity investments were redeemed prior to their scheduled maturity dates, resulting in additional investment income of approximately $.2 million and $.7 million, respectively. Such additional investment income was $.4 million and $3.0 million in the first nine months of 1994 and 1993, respectively.

Net trading income (loss). The wholly owned insurance subsidiaries had $.5 million of net trading losses (after applicable expenses and taxes) in the third quarter of 1994, compared to $.6 million of trading income in the third quarter of 1993. Net trading income (loss) was $(.4) million and $7.1 million in the first nine months of 1994 and 1993, respectively. Net trading income often fluctuates from period to period as market conditions change for trading activities.

Net realized gains (losses). Net realized gains (after applicable expenses, amortization and taxes) often fluctuate from period to period. Fixed maturity investments of $32.2 million and $58.7 million were sold in the third quarters of 1994 and 1993, respectively, and $183.8 million and $457.9 million were sold in the first nine months of 1994 and 1993, respectively. Such securities were sold in response to changes in the investment environment which created opportunities to enhance the total return of the investment portfolio without adversely affecting the quality of the portfolio or the matching of expected maturities of assets and liabilities.

The realization of investment gains and losses affects the timing of the amortization of the cost of policies produced and the cost of policies purchased. As a result of realized gains and losses from the sales of fixed maturities in the third quarters of 1994 and 1993, amortization related to realized gains and losses were $(.2) million and $3.8 million, respectively. As a result of realized gains and losses of fixed maturities in the first nine months of 1994 and 1993, amortization related to realized gains and losses were $(1.3) million and $10.2 million, respectively.

Insurance policy benefits and change in future policy benefits. These accounts decreased 40 percent to $16.2 million in the third quarter of 1994 from $26.9 million in the third quarter of 1993 primarily as a result of a decrease in sales of products with mortality and morbidity features.

Interest expense on annuities and financial products. Interest expense on annuities and financial products increased 29 percent to $2.7 million in the third quarter of 1994 from $2.1 million in the third quarter of 1993 as a result of higher rates credited on insurance liabilities. Such expense decreased 72 percent to $9.9 million in the first nine months of 1994 from $35.7 million in the first nine months of 1993 as a result of: (i) a reduction in amounts credited to the separate accounts as a result of the aforementioned reduction in investment income related to these accounts; and (ii) the aforementioned reinsurance recapture by Western. The average rate credited on all insurance liabilities was approximately 7.0 percent at September 30, 1994, and approximately 6.9 percent at September 30, 1993.

Amortization related to operations. Amortization related to operations decreased in the first nine months of 1994 from the same period in 1993 as a result of the aforementioned reinsurance recapture.

SERVICES PROVIDED FOR FEES:

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
	(Dollars in millions)			
Revenue:				
Investment management	$ 9.0	$ 8.8	$ 27.6	$ 24.9
Commissions	5.2	2.8	14.4	7.7
Fees for services provided related to CCP II financing	3.8	-	3.8	-
Administrative services, net of directly related expenses	2.5	1.9	6.9	4.7
Total revenue	20.5	13.5	52.7	37.3
Less intercompany eliminations	(6.1)	(7.1)	(10.2)	(16.0)
Revenues reported	14.4	6.4	42.5	21.3
Net income attributable to:				
Investment management	3.8	3.6	12.5	11.3
Commissions	.2	(.6)	.5	(1.2)
Fees for services provided related to CCP II financing	2.5	-	2.5	-
Administrative services	1.7	1.2	4.5	3.0
Net income	8.2	4.2	20.0	13.1

Conseco's fee revenues include: (i) fees for investment management and mortgage origination and servicing; (ii) commissions earned for insurance and investment product marketing and distribution; (iii) administrative fees for policy administration, data processing, product marketing and executive management services; and (iv) fees for services related to CCP II financing.
To the extent that these services are provided to entities that are included in the financial statements on a consolidated basis, the intercompany fees are eliminated in consolidation.

Growth in total fees during the third quarter of 1994 over the third quarter of 1993, as well as in the first nine months of 1994 over the first nine months of 1993, was the result of an increase in fee-producing activities provided to both affiliated clients and others. Commission revenues in the third quarter and nine months of 1994 include $1.8 million and $4.0 million, respectively, related to the buyout of a marketing agreement by a bank.

RESTRUCTURING ACTIVITIES:

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
	(Dollars in millions)			
Incentive earnings allocation	$ -	$ -	$ -	$ 36.6
Gain on sale of stock	-	-	65.3	101.5
Total revenues	-	-	65.3	138.1
Income tax expense	-	1.4	22.9	54.8
Net income	-	(1.4)	42.4	83.3

The 1994 gain related to the sale of a majority interest in WNC. The 1993 incentive earnings allocation was earned when total returns realized by the other partners in the first partnership exceeded prescribed targets. The 1993 gain related to the public sale of shares by BLH.

CORPORATE AND OTHER:

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
	(Dollars in millions)			
Net investment income	$ .2	$ 2.3	$ 3.4	$11.3
Total revenues	(.8)	3.5	2.2	14.7
Interest expense on long-term debt	6.7	6.6	20.6	21.5
Other operating costs and expenses	5.7	13.1	20.0	32.8
Income tax benefit	5.6	5.8	13.4	12.9
Loss before extraordinary charge	7.6	10.4	25.0	26.7
Extraordinary charge on extinguishment of debt	-	-	1.9	8.8
Net loss	7.6	10.4	26.9	35.5

These operations include financing costs for debt which Conseco is directly liable and the costs associated with the holding company operations.

Net investment income decreased in the third quarter of 1994 and in the nine months of 1994 from the same periods in 1993 primarily as a result of lower average invested assets. The lower average invested assets resulted principally from: (i) repurchases of Conseco shares in the nine months ended September 30, 1994; (ii) purchases of .3 million shares of common stock of Kemper Corporation in the third quarter of 1994; and (iii) repayment of certain debt described in the accompanying notes to the consolidated financial statements, offset by: (i) the proceeds from the sale of WNC shares in the first quarter of 1994; (ii) borrowings under the revolving credit facility, and (iii) the net cash flow activity during 1993 described in Management's Discussion and Analysis - Liquidity of the Parent Company, in the Company's Form 10-K for the year ended December 31, 1993.

Other operating costs and expenses decreased 56 percent to $5.7 million in the third quarter of 1994 from $13.1 million in the third quarter of 1993, and decreased 39 percent to $20.0 million in the first nine months of 1994 from $32.8 million in the first nine months of 1993 as a result of compensation costs based on the Company's earnings and the elimination of accruals of nonvested compensation of an executive no longer employed by the Company.

During the first nine months of 1994, the Company repaid certain debt, as described in the notes to the consolidated financial statements included herein, resulting in an extraordinary charge of $1.9 million (net of a $1.0 million tax benefit). During the first nine months of 1993, the Company also repaid certain debt, resulting in an extraordinary charge of $8.8 million (net of a $4.6 million tax benefit).

PREMIUMS COLLECTED

Insurance policy income shown on the Company's financial statements in accordance with generally accepted accounting principles consists of premiums received for policies which have life contingencies or morbidity features and of certain policy charges and fees. For annuity and universal life contracts without such features, premiums collected are not reported as revenues, but rather are reported as deposits to insurance liabilities. Revenues for products recognized as deposits to insurance liabilities are recognized over time in the form of investment income and surrender or other charges.

Premiums collected by BLH. Premiums collected by BLH for the third quarter of 1994 were $387.4 million, of which $87.6 million were recorded as deposits to policy liability accounts. This compared to $367.5 million collected and $74.1 million recorded as deposits to policy liability accounts in the third quarter of 1993. Premiums collected by BLH for the first nine months of 1994 were $1,147.5 million, of which $234.8 million were recorded as deposits to policy liability accounts. This compared to $1,088.3 million collected and $189.6 million recorded as deposits to policy liability accounts in the first nine months of 1993. Collected premiums by business segment are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
	(Dollars in millions)			
Individual health:				
Medicare supplement	$141.6	$135.8	$ 437.9	$ 415.6
Long-term care	33.9	29.5	97.9	85.6
Other	28.0	34.7	90.1	109.5
Total individual health	203.5	200.0	625.9	610.7
Annuities	81.4	68.2	218.2	174.4
Individual life	24.0	23.5	70.4	70.3
Group and other	78.5	75.8	233.0	232.9
Total	$387.4	$367.5	$1,147.5	$1,088.3

Medicare supplement premiums collected increased 4 percent to $141.6 million in the third quarter of 1994 from $135.8 million in the third quarter of 1993, and increased 5 percent to $437.9 million in the first nine months of 1994 from $415.6 million in the first nine months of 1993. These increases are primarily due to improved persistency, rate increases on renewal policies and policy payment mode changes. Annualized new business premiums were $57.5 million and $59.5 million in the first nine months of 1994 and 1993, respectively.

Long-term care collected premiums increased 15 percent to $33.9 million in the third quarter of 1994 from $29.5 million in the third quarter of 1993, and increased 14 percent to $97.9 million in the first nine months of 1994 from $85.6 million in the first nine months of 1993. Growth in new business as a result of cross-selling activities and a larger base of renewal premiums contributed to this increase. Annualized new business premiums increased 28 percent to $20.5 million in the first nine months of 1994 from $16.0 million in the first nine months of 1993.

Collected annuity premiums increased 19 percent to $81.4 million in the third quarter of 1994 from $68.2 million in the third quarter of 1993, and increased 25 percent to $218.2 million in the first nine months of 1994 from $174.4 million in the first nine months of 1993. Virtually all of this increase related to sales of single premium deferred annuities. The increase occurred because of an increased marketing emphasis placed on annuity sales, and because alternative investments, such as certificates of deposit, were offering comparatively lower rates.

Collected premiums for other individual health products decreased 19 percent to $28.0 million in the third quarter of 1994 from $34.7 million in the third quarter of 1993, and decreased 18 percent to $90.1 million in the first nine months of 1994 from $109.5 million in the first nine months of 1993. These decreases were anticipated because of prior steps taken to improve the profitability of these products.

Premiums collected by Conseco's wholly owned insurance subsidiaries. Premiums collected by Conseco's wholly owned insurance subsidiaries decreased 12 percent to $20.0 million in the third quarter of 1994 from $22.8 million in the third quarter of 1993, and decreased 45 percent to $64.4 million in the first nine months of 1994 from $117.9 million in the first nine months of 1993. During the first nine months of 1993, the Company collected $55.5 million of premiums from guaranteed investment contracts and deposit funds for qualified retirement plans maintained by a subsidiary of the Company. Conseco's wholly owned subsidiaries are not actively marketing new products.

LIQUIDITY AND CAPITAL RESOURCES

The comparison of September 30, 1994 balances to December 31, 1993 balances in the consolidated balance sheet is largely affected by the deconsolidation of Western, effective January 1, 1994, and the acquisition of Statesman by CCP II effective September 30, 1994. Additional changes in the consolidated balance sheet reflect growth through Conseco's three earnings activities previously discussed and the long-term debt and capital stock transactions described in the accompanying notes to the consolidated financial statements.

The decrease in shareholders' equity in the first nine months of 1994 resulted from: (i) the capital transactions described in "Changes in Capital Stock" in the notes to the consolidated financial statements; and (ii) a change in unrealized appreciation (depreciation) of $(301.1) million to reflect the decrease in the market value of the Company's investments, partially offset by the increase in shareholders' equity from earnings. The decline in unrealized appreciation (depreciation) of securities is recorded consistent with the requirements of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"). This decrease resulted from the higher interest rate environment, which generally caused the market value of fixed maturities to decrease.

The ratio of debt (for which the Company is directly liable) to total capital decreased to .25 to 1 at September 30, 1994, from .27 to 1 at December 31, 1993, as a result of the repayment of debt, partially offset by borrowings under a new revolving credit agreement described in "Changes in Long-Term Debt" in the notes to the consolidated financial statements. The ratio of debt (for which the Company is directly liable) to total capital excluding unrealized appreciation (depreciation) of securities recorded consistent with the requirements of SFAS 115 decreased to .21 to 1 at September 30, 1994, from .28 to 1 at December 31, 1993. Book value per common share was $20.43 at September 30, 1994, compared to $33.78 at December 31, 1993. The decline was due to the decrease in common equity described in the preceding paragraph, offset by the decrease in shares outstanding described in "Changes in Capital Stock" in the notes to the consolidated financial statements. Excluding unrealized appreciation (depreciation) of securities recorded consistent with the requirements of SFAS 115, the book value per common share was $28.77 at September 30, 1994, compared to $29.93 at December 31, 1993. The return on average common equity was 28 percent (annualized) for the nine months ended September 30, 1994, compared to 37 percent for the year ended December 31, 1993. This decrease occurred because of fluctuations in net trading gain (loss), net realized gain (loss) and restructuring income during these periods.

Dividends declared on common stock for the nine months ended September 30, 1994, were $.375 per share.

INVESTMENTS

The amortized cost, estimated fair value and carrying value of fixed maturities (all of which were actively managed) were as follows at September 30, 1994:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(Dollars in millions)		
United States Treasury securities and obligations of United States government corporations and agencies	$ 360.8	$ .3	$ 7.5	$ 353.6
Obligations of states and political subdivisions	27.8	-	.5	27.3
Debt securities issued by foreign governments	22.8	-	1.1	21.7
Public utility securities	1,117.8	3.8	73.3	1,048.3
Other corporate securities	2,580.2	2.1	111.3	2,471.0
Mortgage-backed securities	3,043.5	.6	100.7	2,943.4
Total fixed maturities	$7,152.9	$ 6.8	$294.4	$6,865.3

The following table sets forth the quality of fixed maturity investments as of September 30, 1994, classified in accordance with the highest rating by a nationally recognized statistical rating organization, or, if not rated by such firms, based on ratings assigned by the National Association of Insurance Commissioners ("NAIC") as follows: for purposes of the table, NAIC Class 1 is included in the "A" rating; Class 2, "BBB-"; Class 3, "BB-" and Classes 4 to 6, "B+ and below."

Investment Rating	Percent of Fixed Maturities	Percent of Total Investments
AAA	48%	40 %
AA	8	6
A	23	20
BBB+	5	4
BBB	6	5
BBB-	6	5
Investment grade	96	80
BB+	1	1
BB	1	-
BB-	1	1
B+ and below	1	1
Below investment grade	4	3
Total fixed maturities	100%	83%

Fixed maturities which were below investment grade had a total estimated fair value and carrying value of $271.7 million and an amortized cost of $287.4 million at September 30, 1994.

During the first nine months of 1993, the Company wrote down investments and accrued investment income totaling $7.5 million as a result of changes in conditions which caused the Company to conclude that the issuers may be unable to comply with the terms of the securities. These writedowns were recorded as realized losses. The Company recorded no such writedowns in the comparable period of 1994. The amortized cost, carrying value and fair value of fixed maturity investments in default as to the payment of principal or interest were $9.9 million, $10.2 million and $10.2 million, respectively, at September 30, 1994.

Mortgage-backed securities at September 30, 1994, included collateralized mortgage obligations of $2,421.2 million and mortgage-backed pass-through securities of $522.2 million. Although mortgage-backed securities are subject to risks involving the timing of cash flows due to prepayments, the Company seeks to limit its risk by: (i) purchasing securities which are backed by collateral with lower prepayment sensitivity (such as mortgages purchased at a discount from par value and mortgages that are extremely seasoned); (ii) limiting securities whose values are heavily influenced by changes in prepayments (such as interest-only and principal-only securities); and (iii) investing in securities structured to reduce prepayment risk (such as planned amortization class ("PAC") and targeted amortization class ("TAC") collateralized mortgage obligations). PAC and TAC instruments represented approximately 39 percent of the Company's mortgage-backed securities at September 30, 1994. At September 30, 1994, the par value, amortized cost and estimated fair value of investments in mortgage-backed securities summarized by interest rates on the underlying collateral were comprised of the following:

	Par Value	Amortized Cost	Estimated Fair Value
	(Dollars in millions)		
Pass-through securities:			
Below 7%	$ 318.6	$ 317.8	$ 287.2
7% - 8%	171.7	172.0	160.3
8% - 9%	66.4	65.9	65.7
9% and above	9.0	9.4	9.0
Planned amortization class CMO instruments:			
Below 7%	427.2	388.6	361.3
7% - 8%	394.4	366.6	343.5
8% - 9%	80.4	79.6	76.0
9% and above	41.1	41.8	41.0
Targeted amortization class CMO instruments:			
Below 7%	60.1	49.7	49.7
7% - 8%	242.2	199.6	199.6
8% - 9%	52.7	48.7	48.7
9% and above	44.1	43.9	42.5
Other CMO instruments:			
Below 7%	82.0	66.7	65.5
7% - 8%	635.8	508.3	508.3
8% - 9%	516.4	476.1	476.1
9% and above	225.0	208.8	209.0
Total mortgage-backed securities	$3,367.1	$3,043.5	$2,943.4

At September 30, 1994, the balance of mortgage loans was comprised of 92 percent commercial loans, 2 percent residential loans and 6 percent residual interests in collateralized mortgage obligations. Less than 1 percent of mortgage loans were noncurrent at September 30, 1994. There were no material realized losses on mortgage loans during the nine months ended September 30, 1994 and 1993, respectively. At September 30, 1994, the Company had a loan loss reserve of $.9 million.

Borrowings under reverse repurchase agreements and dollar-roll transactions were $151.7 million at September 30, 1994, and were collateralized by pledged securities with fair values approximately equal to the borrowings. Such borrowings averaged approximately $218.6 million during the first nine months of 1994, compared to approximately $368.4 million during the same period of 1993.

STATUTORY INFORMATION

Statutory accounting practices prescribed or permitted for the Company's insurance subsidiaries by regulatory authorities differ from generally accepted accounting principles. The Company's life insurance subsidiaries that are included on a consolidated basis in these financial statements reported the following amounts to regulatory agencies at September 30, 1994, after appropriate eliminations of intercompany accounts among such subsidiaries (dollars in millions):

Statutory capital and surplus	$649.5
Asset valuation reserve ("AVR").	57.6
Interest maintenance reserve ("IMR")	94.2
Total	$801.3

In connection with the acquisition of BLH, the capital of one of the life insurance subsidiaries (Bankers Life Insurance Company of Illinois) was increased by providing cash in exchange for a surplus debenture. The unpaid balance of the surplus debenture of $460.0 million at September 30, 1994, is considered a part of statutory capital and surplus of the life insurance subsidiary. Payments to BLH of principal and interest on the surplus debenture may be made from available funds only with the approval of the Illinois Department of Insurance when its Director is satisfied that the financial condition of the subsidiary warrants that action. Such approval may not be withheld provided the surplus of the subsidiary exceeds, after such payment, approximately $128 million. Such subsidiary's surplus at September 30, 1994, was $316.2 million. During April 1994, such subsidiary made a scheduled principal payment on the surplus debenture of $25.0 million plus accrued interest.

At September 30, 1994, the ratio of such consolidated statutory account balances to consolidated statutory liabilities (excluding AVR, IMR, liabilities from separate account business and short-term collateralized borrowings) was 9.0 percent, compared to a ratio of 11.4 percent (17.1 percent excluding the accounts of Western) at December 31, 1993.

During the nine months ended September 30, 1994, the Company's wholly owned life insurance subsidiaries paid no dividends to the parent company. Approximately $18.7 million is available for distribution from wholly owned insurance subsidiaries in 1994 without the permission of state regulatory authorities.

PENDING ACQUISITION

On June 26, 1994, Conseco and Kemper Corporation ("Kemper") signed a definitive merger agreement under which a wholly owned subsidiary of Conseco will be merged into Kemper. It is contemplated the combined entity would operate under the Kemper name. Under the agreement, each of the issued and outstanding shares of Kemper common stock would be converted into the right to receive $56.00 in cash and a fraction of a share of Conseco common stock determined by dividing $11.00 by the average closing price of Conseco common stock prior to the merger (such fraction to be not more than .2418 nor less than .1982). On November 2, 1994, Conseco proposed a consensual change in the merger agreement. Under this proposal, each share of Kemper common stock would be converted into the right to receive $56 in cash and .1087 shares of Conseco common stock. Accordingly, the total consideration would be $60 per Kemper share and the total value of the transaction would be approximately $2.96 billion based on the value of Conseco shares on November 2, 1994. This compares to $67 per share and a total value of $3.25 billion, based on Conseco's share value on June 26, 1994, in the existing merger agreement which remains in effect. The merger agreement with Kemper contemplates that CCP II will purchase Kemper's life insurance and real estate subsidiaries.

Consummation of the merger is subject to customary terms and conditions, including approvals by: (i) the stockholders of Kemper, and under the terms of the June 26, 1994, agreement (but not the November 2, 1994, proposal), the stockholders of Conseco; (ii) regulatory authorities; and (iii) the boards and shareholders of Kemper's mutual funds, and to obtaining the required financing.

The Company is exploring the possible sale of one or more of its equity interests in WNC, CCP and BLH. Any such sale is subject to receiving fair value. On October 7, 1994, Conseco filed a registration statement on Form S-3 to offer Conseco debt exchangeable at maturity into shares of common stock of WNC. If consummated, the debt will be in lieu of the sale of the Company's equity interest in WNC. Proceeds from any sale are anticipated to be used for general corporate purposes or in connection with the Kemper merger.

Kemper, headquartered in Long Grove, Illinois, is a publicly held financial services holding company with principal operations in asset management, life insurance and securities brokerage.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits.

11.1 Computation of Earnings Per Share - Primary.

11.2 Computation of Earnings Per Share - Fully Diluted.

27.0 Financial Data Schedule

99.1 Pro Forma Consolidated Statements of Operations

b) Reports on Form 8-K.

A report on Form 8-K dated June 26, 1994, was filed with the Commission to report under Item 5 the Merger Agreement between the Registrant and Kemper Corporation.

A report on Form 8-K dated September 29, 1994, was filed with the Commission to report: (i) under Item 2, the acquisition of The Statesman Group, Inc.; (ii) under Item 7(a), the unaudited consolidated financial statements of The Statesman Group, Inc. as of June 30, 1994, and for the six months ended June 30, 1994 and 1993, and the audited consolidated financial statements of The Statesman Group, Inc. as of December 31, 1993 and 1992, and for each of the three years ended December 31, 1993; and (iii) under Item 7(b), pro forma consolidated financial information of Conseco, Inc. and subsidiaries.

SIGNATURE

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 thereunto duly authorized.

CONSECO, INC.

Dated: November 14, 1994

By: /s/ ROLLIN M. DICK

Rollin M. Dick,
Executive Vice President and Chief Financial Officer
(authorized officer and principal financial officer)

CONSECO, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE - PRIMARY
(unaudited)

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
Shares outstanding, beginning of period	24,645,708	24,964,687	25,311,773	24,911,148
Weighted average shares issued (acquired) during the period:				
Treasury stock acquired	(207,245)	(115,500)	(3,326,224)	(151,255)
Exercise of stock options	16,912	437,429	3,516,551	399,968
Preferred stock conversions	-	-	-	168
Common equivalent shares related to:				
Stock options at average market price	846,419	3,563,599	913,076	3,745,146
Employee stock plans	437,805	372,257	434,961	363,573
Weighted average primary shares outstanding	25,739,599	29,222,472	26,850,137	29,268,748
Net income for primary earnings per share:				
Net income as reported	$35,757,000	$52,220,000	$150,091,000	$235,145,000
Less preferred stock dividends	(4,672,000)	(5,099,000)	(14,015,000)	(15,895,000)
Net income for primary earnings per share	$31,085,000	$47,121,000	$136,076,000	$219,250,000
Net income per primary common share	$1.21	$1.61	$5.07	$7.49

EXHIBIT 11.2

CONSECO, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE - FULLY DILUTED
(unaudited)

	Three months ended September 30, 1994	Three months ended September 30, 1993	Nine months ended September 30, 1994	Nine months ended September 30, 1993
Weighted average primary shares outstanding	25,739,599	29,222,472	26,850,137	29,268,748
Incremental common equivalent shares:				
Related to options and employee stock plans based on market price at the end of the period	122	136,492	69	87,600
Related to convertible preferred stock	4,509,509	4,509,431	4,509,509	4,091,990
Weighted average fully diluted shares outstanding	30,249,230	33,868,395	31,359,715	33,448,338
Net income for fully diluted earnings per share:				
Net income as reported	$35,757,000	$52,220,000	$150,091,000	$235,145,000
Less preferred stock dividends	-	(428,000)	-	(3,178,000)
Net income for fully diluted earnings per share	$35,757,000	$51,792,000	$150,091,000	$231,967,000
Net income per fully diluted common share	$1.18	$1.53	$4.79	$6.94

ARTICLE 7

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR CONSECO, INC. DATED SEPTEMBER 30, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS	
FISCAL YEAR END	DEC 31 1994	
PERIOD END	SEP 30 1994	
DEBT HELD FOR SALE	6,865,300	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	37,100	
MORTGAGE	193,900	[1]
REAL ESTATE	0	
TOTAL INVEST	8,244,100	
CASH	0	
RECOVER REINSURE	41,200	
DEFERRED ACQUISITION	1,355,900	[2]
TOTAL ASSETS	10,874,000	
POLICY LOSSES	7,623,400	
UNEARNED PREMIUMS	189,500	
POLICY OTHER	218,700	
POLICY HOLDER FUNDS	217,400	
NOTES PAYABLE	912,800	[3]
COMMON	172,100	
PREFERRED MANDATORY	0	
PREFERRED	287,500	
OTHER SE	327,200	[4]
TOTAL LIABILITY AND EQUITY	10,874,000	
PREMIUMS	954,200	
INVESTMENT INCOME	213,000	
INVESTMENT GAINS	(21,000)	[5]
OTHER INCOME	181,800	[6]
BENEFITS	763,500	[7]
UNDERWRITING AMORTIZATION	86,400	[8]
UNDERWRITING OTHER	152,400	
INCOME PRETAX	275,800	
INCOME TAX	85,100	
INCOME CONTINUING	152,500	
DISCONTINUED	0	
EXTRAORDINARY	(2,400)	
CHANGES	0	
NET INCOME	150,100	
EPS PRIMARY	5.07	
EPS DILUTED	4.79	
RESERVE OPEN	0	
PROVISION CURRENT	0	
PROVISION PRIOR	0	
PAYMENTS CURRENT	0	
PAYMENTS PRIOR	0	
RESERVE CLOSE	0	
CUMULATIVE DEFICIENCY	0	

[1] Includes $49,000 of credit tenant loans.

[2] Includes $1,113,500 of cost of policies purchased.

[3] Includes notes payable of Bankers Life Holding Corporation of $279,800 and CCP II of $374,400 which are not direct obligations of Conseco.

[4] Includes retained earnings of $530,800, offset by net unrealized depreciation of securities of $203,600.

[5] Includes net realized losses of $17,400 and a net trading loss of $3,600.

[6] Includes fee revenue of $42,500, equity in earnings of Western National Corporation of $38,900, equity in earnings of CCP Insurance, Inc. of $22,200, restructuring income of $65,300 and other income of $12,900.

[7] Includes insurance policy benefits of $680,100, change in future policy benefits of $31,500 and interest expense on annuities and financial products of $51,900.

[8] Includes amortization of cost of policies purchased of $52,700 and cost of policies purchased of $36,300 and amortization related to realized losses of $(2,600). </TABLE

EXHIBIT 99.1

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1994
(Dollars in millions, except per share amounts)
(unaudited)

	Conseco as Reported	Statesman as Reported	Pro Forma Adjustments Reflecting Transactions Related to Investment in:			Pro Forma Total
			Statesman(A)	WNC (B)	BLH (C)	
Revenues:						
Insurance policy income	$ 954.2	$ 40.3	$ (.3) (1)		$ (.1)(20)	$ 994.1
Investment activity:						
Net investment income	213.0	247.6	(.5) (2) (.8) (2)		.8 (20)	460.1
Net trading losses	(3.6)					(3.6)
Net realized gains (losses)	(17.4)	4.9	(4.0) (2)		4.6 (20)	(11.9)
Equity in earnings of CCP Insurance, Inc.	22.2		(.2) (2)			22.0
Equity in earnings of Western National Corporation	38.9			(11.1) (12)		27.8
Fee revenue	42.5					42.5
Restructuring income	65.3			(65.3) (13)		-
Other income	12.9	4.3				17.2
Total revenues	1,328.0	297.1	(5.8)	(76.4)	5.3	1,548.2
Benefits and expenses:						
Insurance policy benefits	680.1	16.7				696.8
Change in future policy benefits	31.5	7.8			.8 (20)	40.1
Interest expense on annuities and financial products	51.9	160.5				212.4
Interest expense on long-term debt	37.4	6.7	16.9 (3)	(1.3) (14)	.5 (20)	60.2
Interest expense on investment borrowings	6.2					6.2
Amortization related to operations	95.3	29.6	2.3 (1) 3.5 (4)		4.9 (20)	135.6
Amortization related to realized gains	(2.6)	2.8	(2.1)(5)		.7 (20)	(1.2)
Other operating costs and expenses	152.4	32.9	(7.2)(6)		(2.8)(20)	175.3
Total benefits and expenses	1,052.2	257.0	13.4	(1.3)	4.1	1,325.4
Income before income taxes, minority interest and extraordinary charge	275.8	40.1	(19.2)	(75.1)	1.2	222.8
Income tax expense	85.1	14.2	(7.1) (7)	(22.0) (18)	.5 (20)	70.7

(Continued on following page)

The accompanying notes are an integral part
of the pro forma consolidated statement of operations.

/TABLE

CONSECO, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS, continued
for the nine months ended September 30, 1994
(Dollars in millions, except per share amounts)
(unaudited)

	Conseco as Reported	Statesman as Reported	Pro Forma Adjustments Reflecting Transactions Related to Investment in: Statesman(A)	WNC (B)	BLH (C)	Pro Forma Total
Income before minority interest and extraordinary charge	190.7	25.9	(12.1)	(53.1)	.7	152.1
Less minority interest	38.2	6.8	1.0 (8) 2.5 (9) (1.6)(10) 3.5 (11)			50.4
Income before extraordinary charge	$152.5	$19.1	$(17.5)	$(53.1)	$ .7	$101.7
Earnings before extraordinary charge per common share and common equivalent share:						
Primary:						
Weighted average shares	26,850,000					26,850,000
Earnings before extraordinary charge	$5.16					$3.27
Fully diluted:						
Weighted average shares	31,360,000					31,360,000
Earnings before extraordinary charge	$4.87					$3.25

The accompanying notes are an integral part
of the pro forma consolidated statement of operations.

CONSECO, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 1993
(Dollars in millions, except per share amounts)
(unaudited)

	Conseco as Reported	Statesman as Reported	Pro Forma Adjustments Reflecting Transactions Related to Investment in: Statesman(A)	WNC (B)	BLH (C)	CCP (D)	Pro Forma Total
Revenues:							
Insurance policy income	$1,293.8	$50.0	($.4) (1)	$(20.8)(15)	$ (.3)(20)	$ -	$1,322.3
Investment activity:							
Net investment income	896.2	298.9	(.2) (2) (1.1) (2)	(610.1)(15)	(5.4)(19) .4 (20)	(1.6)(26)	577.1
Net trading income	93.1			(49.6)(15)	1.4 (20)		44.9
Net realized gains	149.5	24.8	(13.0) (2)	(92.7)(15)	8.1 (20)		76.7
Equity in earnings of CCP Insurance, Inc.	37.4		(.2) (2)			2.7 (27)	39.9
Equity in earnings of Western National Corporation	-			130.0 (15) (82.6)(16)			47.4
Gain on sale of Bankers Life Holding Corporation	101.5				(101.5)(21)		-
Incentive earnings allocation from the Partnership	36.6				(36.6)(21)		-
Fee revenue	26.5			12.7 (15) 2.3 (17)			41.5
Other income	1.4	5.5					6.9
Total revenues	2,636.0	379.2	(14.9)	(710.8)	(133.9)	1.1	2,156.7
Benefits and expenses:							
Insurance policy benefits	1,007.8	25.6		(101.9)(15)	(.2)(20)		931.3
Change in future policy benefits	60.0	6.1		(19.3)(15)	(3.2)(20)		43.6
Interest expense on annuities and financial products	408.5	195.9		(333.1)(15)			271.3
Interest expense on long-term debt	58.0	6.1	25.7 (3)	(11.0)(14)	.2 (20) (1.5)(22) 8.7 (23)		86.2
Interest expense on investment borrowings	10.6			(6.2)(15)			4.4
Amortization related to operations	140.2	31.7	4.4 (1) 4.6 (4)	(15.5)(15)	9.5 (20)		174.9
Amortization and change in future policy benefits related to realized gains	126.3	9.8	(3.2)(5)	(84.3)(15)	5.6 (20)		54.2
Other operating costs and expenses	214.4	35.5		4.3 (15)	.9 (20)		255.1
Total benefits and expenses	2,025.8	310.7	31.5	(567.0)	20.0	-	1,821.0
Income before income taxes, minority interest and extraordinary charge	610.2	68.5	(46.4)	(143.8)	(153.9)	1.1	335.7
Income tax expense	223.1	22.5	(13.5) (7)	(74.5)(15) 8.0 (18)	2.4 (20) (59.6)(24)	(.4)(28)	108.0

(Continued on following page)

The accompanying notes are an integral part
of the pro forma consolidated statement of operations.

CONSECO, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS, continued
for the year ended December 31, 1993
(Dollars in millions, except per share amounts)
(unaudited)

	Conseco as Reported	Statesman as Reported	Pro Forma Adjustments Reflecting Transactions Related to Investment in: Statesman(A)	WNC (B)	BLH (C)	CCP (D)	Pro Forma Total
Income before taxes, minority interest and extraordinary charge	387.1	46.0	(32.9)	(77.3)	(96.7)	1.5	227.7
Less minority interest	78.2	8.8	(1.6) (8) (2.1) (10) 4.1 (11)		(21.9)(25)		65.5
Income before extraordinary charge	$308.9	$ 37.2	$(33.3)	$(77.3)	$(74.8)	$1.5	$162.2
Earnings before extraordinary charge per common share and common equivalent share:							
Primary:							
Weighted average shares	29,245,000						29,245,000
Earnings before extraordinary charge	$9.86						$4.84
Fully diluted:							
Weighted average shares	33,495,000						33,495,000
Earnings before extraordinary charge	$9.12						$4.74

The accompanying notes are an integral part
of the pro forma consolidated statement of operations.

BASIS OF PRESENTATION

The unaudited pro forma consolidated statements of operations of Conseco, Inc. ("Conseco" or the "Company") are presented as if the following transactions had all occurred on January 1, 1993: (1) the acquisition (the "Acquisition") of The Statesman Group, Inc. ("Statesman") by Conseco Capital Partners II, L.P. ("CCP II") (as described below and reported in the filing under Form 8-K dated September 29, 1994); (2) the initial public offering of Western National Corporation ("WNC") (as described below and reported in the filing under Form 8-K dated February 15, 1994); (3) the initial public offering of Bankers Life Holding Corporation ("BLH") and the purchase of additional shares of common stock of BLH by Conseco (as described below and reported in filings under Form 8-K dated November 9, 1992 and September 30, 1993) and (4) the public offering of CCP Insurance, Inc. ("CCP Insurance") and the purchase of additional shares of common stock of CCP Insurance by Conseco (as described below and reported in the filing under Form 8-K dated September 30, 1993).

The pro forma consolidated financial statements are based on the historical financial statements of Conseco, Statesman, WNC, BLH and CCP Insurance and should be read in conjunction with the financial statements and notes of those companies. The pro forma data are not necessarily indicative of the results of operations of Conseco had those transactions occurred on January 1, 1993, nor the results of future operations, nor do they reflect changes that might have resulted from the current management of the companies throughout the entire period. Certain amounts from the prior periods have been reclassified to conform to the current presentation in the consolidated statement of operations for the nine months ended September 30, 1994, included in the Company's Form 10-Q for the nine months ended September 30, 1994.

PRO FORMA ADJUSTMENTS

(A) Transactions Relating to the Acquisition of Statesman

On September 29, 1994, CCP II, a Delaware limited partnership, completed the Acquisition of Statesman. After the Acquisition and related financing transactions, CCP II owns approximately 80 percent of the outstanding shares of Statesman's common stock. Conseco formed CCP II in February 1994 with several other investors for the purpose of investing in acquisitions of annuity, life and accident and health insurance companies and related businesses. Conseco Partnership Management, Inc., a wholly owned subsidiary of Conseco, is the sole general partner of CCP II. Because a subsidiary of Conseco is the sole general partner of CCP II, Conseco controls CCP II and Statesman. Accordingly, Conseco's consolidated financial statements include the accounts of CCP II and Statesman. Conseco, through its direct investment and through its equity interest in the investments made by BLH, CCP Insurance and WNC, has a 27 percent ownership interest in Statesman. The remaining 73 percent ownership interest in Statesman is described as the "Statesman Minority Interest."

The Acquisition was consummated pursuant to an Agreement and Plan of Merger dated May 1, 1994, providing for the merger of Statesman with a subsidiary of CCP II. Statesman's former stockholders received $15.25 in cash per common equivalent share plus a contingent payment right to receive up to another $2.00 in cash per common equivalent share ("the Contingent Consideration") based on the outcome of Statesman's pending litigation against the U.S. Government concerning Statesman's former savings bank subsidiary (the "Government Litigation").

The Acquisition and related transactions were funded with: (i) $45.0 million of cash contributions made to CCP II by its partners (including $7.2 million provided by wholly owned subsidiaries of Conseco, $1.8 million by BLH, $1.8 million by CCP Insurance and $3.6 million by WNC), (ii) $57.0 million in cash from the sale in a private placement of the payment-in-kind preferred stock of Statesman (the "Statesman PIK Preferred Stock") (including $25.9 million purchased by BLH and $24.0 million purchased by CCP Insurance), (iii) $150.0 million in cash from the sale in a public offering by ALHC Merger Corporation, a subsidiary of CCP II which was merged into American Life Holding Company ("ALHC"), a wholly owned subsidiary of Statesman, of its 11-1/4% Senior Subordinated Notes due 2004 (the "ALHC Senior Subordinated Notes") and (iv) $200.0 million in cash from a senior secured loan (the "ALHC Senior Term Loan") obtained by ALHC Merger Corporation (collectively referred to herein as the "Statesman Financing"). The sources and uses of this financing are summarized below (dollars in millions).

Sources of Funds:		
ALHC Senior Term Loan:		
Borrowed upon closing of the Acquisition	$170.0	
Borrowed upon determination of Government Litigation	30.0	(i)
ALHC Senior Subordinated Notes	150.0	
Statesman PIK Preferred Stock	57.0	
Common equity contribution from CCP II	45.0	
Total sources	$452.0	
Uses of Funds:		
Payment of cash consideration to acquire Statesman	$314.1	(ii)
Payment upon determination of Government Litigation	30.1	(i)
Repayment of bank indebtedness of a subsidiary of Statesman	55.5	(iii)
Transaction fees and expenses	14.8	
Purchase of surplus note from American Life and Casualty Insurance Company ("American Life"), Statesman's principal operating subsidiary	24.0	
Cash retained	13.5	
Total uses	$452.0	

(i) In the event of an unfavorable determination of the Government Litigation, $30.1 million would be paid to the holders of Statesman's 1988 Series I and II Preferred Stock $1 Par (the "Statesman 1988 Series Preferred Stock"), which is currently held by the U.S. Government. In the event of a favorable determination of this litigation, the same amount, representing a portion of the Contingent Consideration, would be paid to the other former stockholders of Statesman.

(ii) This amount assumes conversion of all outstanding 6-1/4% Convertible Subordinated Debentures due 2003 of Statesman (the "Convertible Debentures"), which are convertible into an aggregate of 4,528,125 shares of Statesman common stock. To the extent that any holders of the Convertible Debentures do not convert such securities, the proceeds which would have been used to pay such holders will be held in escrow until the Convertible Debentures are converted by the holders thereof, are redeemed by Statesman, or mature.

(iii) A subsidiary of Statesman was the borrower under a credit facility with an outstanding balance of $55.5 million at the Acquisition date. The outstanding balance under this facility was repaid with a portion of the proceeds from the Statesman Financing.

The pro forma adjustments are applied to the historical consolidated statements of operations of Conseco and Statesman to account for the Acquisition using the purchase method of accounting. Under purchase accounting, the total purchase cost of Statesman will be allocated to the assets and liabilities acquired based on their relative fair values as of the date of acquisition, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. The cost allocations will be based on appraisals and other studies, which are not yet completed. Accordingly, the final allocations will be different from the amounts included in Conseco's consolidated balance sheet at September 30, 1994, as filed in the Registrant's Form 10-Q for the quarterly period ended September 30, 1994. Although the final allocations will differ, the pro forma consolidated statement of operations reflects management's best estimate based on currently available information.

Adjustments to give effect to the Acquisition and related transactions are summarized as follows:

(1) Amortization of deferred acquisition costs and the recognition of deferred revenues for policies sold by Statesman prior to January 1, 1993, are replaced with the amortization of cost of policies purchased (amortized in relation to estimated profits on the policies purchased with interest equal to the liability or contract rates ranging from 5.3% to 8.2%).

(2) Net investment income and net realized gains of Statesman are adjusted to include the effect of the restatement of (i) fixed maturities, (ii) mortgage loan investments and (iii) interest rate swap and collar agreements to estimated fair value as of January 1, 1993, the assumed date of the Acquisition. The reported value and estimated fair value of fixed maturities, mortgage loan investments and interest rate swap and collar agreements as of January 1, 1993, are as follows (dollars in millions):

	Reported Value	Estimated Fair Value
Fixed maturities	$2,910.6	$2,980.0
Mortgage loan investments	87.1	88.2
Interest rate swap and collar agreements	(.7)	(7.5)

In addition, net investment income is reduced to reflect the reduction in short-term investments in connection with the purchase of investments in CCP II and the Statesman PIK Preferred Stock by Conseco and its consolidated subsidiaries. Additionally, equity in earnings of CCP Insurance is reduced to reflect the reduction in net investment income as a result of its investment in CCP II and the Statesman PIK Preferred Stock.

No additional investment income is assumed to be earned on the cash retained from the proceeds of the Statesman Financing after payment of the costs of the Acquisition and related transactions. Pro forma net realized gain (loss) represents the difference between (i) the actual proceeds from the sales of investments and (ii) the fair value of the investments as of the assumed date of the Acquisition, adjusted for the accretion of discount or premium based on the new cost basis.

(3) Interest expense is adjusted to reflect the following transactions as if they occurred as of the assumed date of the Acquisition:

	Year Ended December 31, 1993	Nine Months Ended September 30, 1994
Use of proceeds to repay certain indebtedness	$(2.2)	$(3.1)
The assumed conversion of all of the Convertible Debentures	(3.1)	(3.4)
The borrowings under the ALHC Senior Term Loan (i)	13.0	9.7
The issuance of the ALHC Senior Subordinated Notes (ii)	16.9	12.7
Amortization of debt issuance costs (iii)	1.1	1.0
	$25.7	$16.9

(i) Based on borrowings of $170.0 million ($130.0 million at an assumed interest rate of 7.5% and $40.0 million at an assumed interest rate of 8.0%).

(ii) Based on a principal amount of $150.0 million at an interest rate of 11.25%.

(iii) Based on debt issuance costs of $6.8 million and $8.0 million related to the ALHC Senior Subordinated Notes and the ALHC Senior Term Loan, respectively, which are amortized at a level yield over the term of such debt.

A change in interest rates on the ALHC Senior Term Loan of .5% would result in (i) an increase (or decrease) in pro forma interest expense of $.9 million and $.6 million for the year ended December 31, 1993, and the nine months ended September 30, 1994, respectively, and (ii) a decrease (or increase) in pro forma net income of $.2 million and $.1 million for the same respective periods. Under the terms of the ALHC Senior Term Loan, $30 million will remain available to borrow at a later date when needed to pay a portion of the Contingent Consideration or to pay to the holders of the Statesman 1988 Series Preferred Stock upon the determination of the Government Litigation. If such $30 million were outstanding during 1993 and the nine months ended September 30, 1994 (with an assumed interest rate of 7.5% during such periods), proforma interest expense would increase by $2.3 million and $1.7 million, respectively, and pro forma net income would decrease by $.4 million and $.3 million, respectively.

(4) Amortization of goodwill calculated as of January 1, 1993, is recognized over a 40-year period on a straight-line basis.

(5) Anticipated returns, including realized gains and losses, from the investment of policyholder balances are considered in determining the amortization of the cost of policies purchased. Amortization of cost of policies purchased is adjusted to reflect amortization related to pro forma realized gains by Statesman during the period.

(6) Other operating costs and expenses are reduced to eliminate the merger costs incurred by Statesman during the nine months ended September 30, 1994, in connection with the Acquisition. Such amounts include, but are not limited to, compensation expense recognized upon the cash redemption by Statesman of certain unexercised stock options and stock appreciation rights.

(7) All applicable pro forma adjustments to operations are tax effected at the appropriate rate. Additionally, for the year ended December 31, 1993, income tax expense is increased by $.8 million to reflect the effect of the increase in the corporate income tax rate to 35% from 34% on adjustments to deferred income tax liabilities resulting from pro forma adjustments.

(8) The Statesman Minority Interest in the earnings of Statesman is recognized.

(9) In accordance with the CCP II partnership agreement, Conseco received fees for services provided related primarily to the ALHC Senior Term Loan and the ALHC Senior Subordinated Notes and were capitalized as debt issue costs by ALHC. Accordingly, the fees resulting from these transactions are eliminated in consolidation. Minority interest, however, is adjusted to charge the Statesman Minority Interest for its portion of such fees.

(10) After the Acquisition, investment advisory services are provided to Statesman by a subsidiary of Conseco. Statesman's historical net investment income is not reduced to reflect the advisory fees to be paid under the agreement in excess of investment expenses incurred prior to the Acquisition, since, in accordance with GAAP, such intercompany fees are eliminated in consolidation. Minority interest, however, is adjusted to charge the Statesman Minority Interest for its portion of such investment advisory fees. Net investment income is not increased to reflect any additional investment income and realized gains which may be earned as a result of services provided by the Conseco subsidiary.

(11) All investors in the Statesman PIK Preferred Stock, other than BLH and CCP Insurance to the extent of Conseco's interest therein, have approximately a 56 percent ownership interest in such Statesman PIK Preferred Stock (the "Statesman PIK Preferred Minority Interest"). Income is reduced to reflect the dividends accrued on the Statesman PIK Preferred Stock attributable to the Statesman PIK Preferred Minority Interest.

(B) Transactions Relating to Investment in Western National Corporation

On February 15, 1994, WNC completed the initial public offering of 37.2 million shares of common stock, including overallotment shares purchased by the underwriters. A total of 2.3 million shares were sold by WNC and 34.9 million shares were sold by Conseco. In addition, pursuant to an employment agreement, Conseco sold .2 million shares to the President of WNC at the initial public offering price less underwriting discounts and commissions. Prior to the initial public offering, Western National Life Insurance Company ("Western") was a wholly owned subsidiary of Conseco. WNC was formed in October 1993 as a Delaware corporation to be the holding company for Western. In connection with the organization of WNC and the transfer of the stock of Western to WNC by Conseco, WNC issued 60 million shares of its common stock and a $150.0 million, 6.75 percent senior note due March 31, 1996 (the "Conseco Note") to Conseco. Such transactions are described in the Prospectus dated February 8, 1994 (the "Prospectus"), filed pursuant to Rule 424(b) with the Securities and Exchange Commission, in connection with the Registration Statement of WNC on Form S-1 (No. 33-70022). On February 22, 1994, WNC completed a public offering of $150.0 million aggregate principal amount of its 7.125 percent senior notes due February 15, 2004 (the "Senior Notes"). The net proceeds from the offering of $147.5 million (after original issue discount, underwriting discount and estimated offering expenses) and certain proceeds from WNC's initial public offering of common stock were used to repay the Conseco Note.

The shares issued in the offering and the related transaction represent a 60 percent interest in WNC. The remaining common shares, which represent a 40 percent interest, are held by Conseco. Net pre-tax proceeds to Conseco from the repayment of the Conseco Note and the sale of WNC shares totaling $537.9 million were used to repay a $200 million senior unsecured loan and for other general corporate purposes. Conseco did not receive any proceeds from the sale of 2.3 million shares by WNC.

Adjustments to give effect to the sale of common stock of WNC by Conseco and related transactions are summarized as follows:

(12) Equity in earnings of WNC is adjusted to reflect (i) the reduction in Conseco's ownership interest as a result of the initial public offering and (ii) WNC's interest expense on the Senior Notes.

(13) The gain on the sale resulting from WNC's IPO and related transactions is eliminated.

(14) Interest expense is reduced to reflect the repayment of the $200 million senior unsecured loan using the proceeds from the sales of WNC shares.

(15) After the initial public offering by WNC, Conseco continues to own 40 percent of WNC but no longer exercises unilateral control over its activities. Accordingly, Conseco's investment in WNC is reflected under the equity method. Conseco's historical consolidated statements of operations are adjusted to reflect Conseco's investment in WNC on the equity basis from the beginning of the periods presented.

(16) Equity in earnings of WNC is adjusted to reflect (i) the reduction in Conseco's ownership interest as a result of the initial public offering, (ii) WNC's interest expense on the Senior Notes and (iii) increased operating expenses as a result of the new insurance services agreement with Conseco and additional expenses expected to be incurred over and above historical cost levels due to the creation of a separate holding company structure with new management devoted entirely to WNC.

(17) Fee revenue is adjusted to reflect the new insurance services agreement with WNC.

(18) All pro forma adjustments to operations are tax affected based on the appropriate rate for the specific item.

(C) Transactions Relating to Investment in Bankers Life Holding Corporation

Effective October 31, 1992, Conseco Capital Partners, L.P. (the "Partnership") completed the acquisition of Bankers Life and Casualty Insurance Company ("BLC") and its subsidiary, Certified Life Insurance Company, (collectively "Bankers Life") through BLH. The acquisition was accounted for as a purchase and was reflected in the operations of Conseco from its effective date.

On March 25, 1993, BLH completed an initial public offering of 19.6 million shares of its common stock at $22 per share. Proceeds from the offering of $405.3 million (after underwriting and issuance costs) were used by BLH to redeem all outstanding preferred stock, to retire all junior subordinated debt, to prepay a portion of the senior debt and for other corporate purposes. After the offering, Conseco owned 31 percent of the common shares of BLH. As a result of the offering, Conseco recorded a one-time gain of $59.2 million (net of tax of $40.0 million), representing Conseco's direct percentage share of the increase in BLH's shareholders' equity account attributable to the proceeds of the offering. In addition, Conseco recorded a gain of $2.2 million (net of tax of $.1 million), representing Conseco's indirect percentage share (through the Company's ownership of CCP Insurance) of CCP Insurance's percentage share of the increase in BLH's shareholders' equity account attributable to the proceeds of the offering. The Partnership was liquidated by distribution of all of its remaining assets to the partners as of March 31, 1993. The Partnership agreement provided incentive compensation to Conseco as the general partner in the form of transfers from the limited partners of a portion of their returns in excess of prescribed targeted returns. The distribution of BLH shares to the limited partners caused such targets to be exceeded, resulting in incentive compensation to Conseco of $21.9 million, net of tax of $14.7 million.

On September 30, 1993, Conseco completed the acquisition of 13.3 million shares of common stock of BLH from I.C.H. Corporation ("ICH") for $287.6 million. The shares purchased represented 24 percent of the outstanding shares of common stock of BLH, increasing Conseco's ownership of shares of common stock of BLH to 56 percent.

The purchase price for the shares acquired from ICH was paid by the surrender for redemption of $50.0 million stated value of ICH preferred stock owned by Conseco and the payment of $237.6 million in cash. The cash payment was funded with available cash and the net proceeds from a $200.0 million senior unsecured loan. Such loan was repaid in February 1994 by Conseco using the proceeds from the sale of WNC common stock (see (B) relating to the WNC initial public offering).

The acquisition is accounted for on a step-basis and, accordingly, (i) the portion of BLH's net assets acquired by Conseco in the initial acquisition made by the Partnership is valued as of that acquisition date (as described in note 1 to the consolidated financial statements included in the Company's 1993 Form 10-K), (ii) the portion of BLH's net assets most recently acquired by Conseco is valued as of September 30, 1993, and (iii) the portion of BLH's net assets owned by minority interests is valued based on BLH's consolidated financial statements. The values of the assets and liabilities of BLH included in Conseco's consolidated balance sheet at September 30, 1994, as filed in the Registrant's Form 10-Q for the quarterly period ended September 30, 1994, represented the combination of the values determined by the purchase accounting described in the preceding sentence.

The net assets of BLH acquired by Conseco were recorded under the purchase method described above. Adjustments to give effect to the initial public offering of BLH, the purchase of additional shares of common stock of BLH by Conseco and the financing and capital restructuring transactions related to these events as if such transactions occurred on January 1, 1993, are summarized as follows:

(19) Net investment income is reduced as a result of the following transactions in conjunction with Conseco's most recent purchase of the common stock of BLH: (i) the redemption of ICH preferred stock and (ii) the use of short-term investments to fund a portion of the purchase.

(20) As described above, the purchase of BLH is accounted for as a step acquisition. The values included in the historical consolidated statements of operations of Conseco for the nine months ended September 30, 1994, and the year ended December 31, 1993, are based on values determined at the actual purchase dates of Conseco's investments. Insurance policy income, net investment income, net trading income, net realized gains, insurance policy benefits, change in future policy benefits, interest expense on long-term debt, amortization expense, other operating costs and expenses and income tax expense are adjusted to reflect the effects of the purchase method of accounting as if Conseco's purchases of the common shares of BLH were completed on January 1, 1993.

(21) The gain on sale of stock by BLH and the incentive earnings allocation from the Partnership which occurred concurrently with the initial public offering are assumed to have occurred prior to the period presented.

(22) Interest expense is reduced for the effects of the debt repaid from the proceeds of the initial public offering of common stock by BLH.

(23) Interest expense is recorded to reflect interest on the debt issued to partially finance the most recent purchase of common stock of BLH by Conseco. Interest expense is calculated based on an assumed rate of 5.4 percent. Interest expense also reflects the amortization of debt issuance costs.

(24) All pro forma adjustments to operations are tax affected based on the appropriate rate for the specific item.

(25) Minority interest is adjusted to reflect the ownership of common stock of BLH by minority interests subsequent to all of the acquisition and financing transactions related to BLH's initial public offering and the purchase of additional shares of common stock of BLH by Conseco, as if such transactions had occurred on January 1, 1993.

(D) Transactions Related to Investment in CCP Insurance, Inc.

In July 1992, CCP Insurance, a holding company for the Partnership's first three acquisitions (Great American Reserve Insurance Company acquired in June 1990, Jefferson National Life Insurance Company acquired in November 1990 and Beneficial Standard Life Insurance Company acquired in April 1991), completed an initial public offering of 8.0 million shares of its common stock, with net proceeds to CCP Insurance totaling $111.2 million. The shares issued in the offering represented a 31 percent ownership interest in the common stock outstanding of CCP Insurance. After the initial public offering, the remaining ownership interest in CCP Insurance was held by Conseco and others who exchanged certain of their investments in the Partnership and its acquired subsidiaries for common stock of CCP Insurance. CCP Insurance is included in Conseco's historical financial statements on the equity basis effective July 1, 1992.

In September 1993, CCP Insurance completed a public offering in which CCP Insurance sold 3.0 million shares of its common stock and certain shareholders sold 6.5 million shares of CCP Insurance common stock. Proceeds of approximately $80.9 million from the offering of common shares by CCP Insurance (after underwriting and issuance costs) were added to CCP Insurance's funds for general corporate purposes. CCP Insurance received no proceeds from the sale of shares by the selling shareholders. In a separate transaction, Conseco purchased 2.0 million shares of CCP Insurance common stock from the selling shareholders for $53.6 million. In addition, Conseco purchased .3 million shares of CCP Insurance common stock in open market transactions for $5.9 million during the nine months ended September 30, 1993. After these transactions, Conseco owned 40 percent of the common stock of CCP Insurance.

The investment in CCP Insurance by Conseco has been recorded on the equity method of accounting. The excess of the carrying value of Conseco's investment in CCP Insurance over Conseco's underlying equity in CCP Insurance's net assets is amortized on the straight-line basis over a 40-year period. Adjustments to give effect to the additional purchases of CCP Insurance common stock by Conseco, as if such transactions occurred on January 1, 1993, are summarized as follows:

(26) Net investment income is reduced as a result of the use of short-term investments to fund the additional purchases of CCP Insurance common stock.

(27) As described above, Conseco owned 40 percent of CCP Insurance. The adjustment to equity in earnings of CCP Insurance reflects the change in Conseco's ownership in CCP Insurance as a result of the purchases of additional shares of CCP Insurance common stock by Conseco.

(28) All pro forma adjustments to operations are tax affected based on the

appropriate rate for the specific item.

End of Filing