

CONSECO INC

FORM 10-K405 (Annual Report (Regulation S-K, item 405))

Filed 04/01/96 for the Period Ending 12/31/95

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

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Filed 4/1/1996 For Period Ending 12/31/1995

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-K

[X] Annual report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 [Fee Required]
For the fiscal year ended December 31, 1995 or

[] Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 [No Fee Required] For the transition period from
to Commission file number: 1-9250

Indiana	Conseco, Inc.
-----	No. 35-1468632
State of Incorporation	IRS Employer Identification No.
-----	-----
11825 N. Pennsylvania Street Carmel, Indiana 46032	(317) 817-6100
-----	-----
Address of principal executive offices	Telephone

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	New York Stock Exchange, Inc.
8-1/8% Senior Notes due 2003	New York Stock Exchange, Inc.
10-1/2% Senior Notes due 2004	New York Stock Exchange, Inc.
\$3.25 Series D Cumulative Convertible Preferred Stock	New York Stock Exchange, Inc.
7% PRIDES Convertible Preferred Stock	New York Stock Exchange, Inc.

**Securities registered pursuant to Section 12(g) of the Act: Common Stock, No
Par Value**

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 []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of common stock held by nonaffiliates (computed as of March 20, 1996): \$1,258,643,308

Shares of common stock outstanding as of March 20, 1996: 20,680,515

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Registrant's definitive proxy statement for the annual meeting of shareholders to be held May 28, 1996 are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS OF CONSECO.

Background

Conseco, Inc. is a financial services holding company engaged primarily in the development, marketing and administration of annuity, supplemental health and individual life products. As used herein the terms "Conseco" or the "Company" refer to Conseco, Inc. and its consolidated subsidiaries, unless the context requires otherwise. Conseco's earnings result primarily from: (i) operating life insurance companies; and (ii) providing investment management, administrative and other fee-based services to affiliated businesses as well as non-affiliates. Conseco's operating strategy is to grow the insurance business within its subsidiaries by focusing its resources on the development and expansion of profitable products and strong distribution channels. Conseco has supplemented such growth by acquisitions of companies that have profitable niche products, strong distribution systems and progressive management teams who can work with Conseco to implement Conseco's operating and growth strategies. Once a company has been acquired, Conseco's operating strategy has been to consolidate and streamline management and administrative functions, to realize superior investment returns through active asset management, to eliminate unprofitable products and distribution channels, and to expand the profitable distribution channels and products.

Since 1990, Conseco has been active in acquiring and restructuring life insurance companies in partnership with other investors. In early 1996, Conseco announced the termination of its partnership activity because changes in the regulatory and rating agency environment have made it extremely difficult to structure leveraged acquisitions of life insurance companies.

In March 1996, Conseco announced a merger agreement with Life Partners Group, Inc. ("LPG") -- a transaction valued at \$850 million, including \$600 million of common stock to be issued by Conseco and \$250 million of existing LPG long-term debt to be assumed by Conseco. Under the merger agreement, LPG would become a wholly owned subsidiary of Conseco.

Since 1982, Conseco has completed 12 acquisitions of insurance companies and related businesses; the first seven as wholly owned subsidiaries and the last five through its acquisition partnerships. Conseco Capital Partners, L.P. ("Partnership I"), Conseco's first acquisition partnership, was dissolved in 1993 after distributing to its partners the securities of the companies it had acquired. In early 1994, Conseco formed Conseco Capital Partners II, L.P. ("Partnership II"), its second acquisition partnership, to invest in acquisitions of life insurance companies and related businesses. In early 1996, Conseco announced the termination of its partnership activity. Companies acquired by Partnership II are required to be included in Conseco's financial statements on a consolidated basis because a wholly owned subsidiary of Conseco is the sole general partner of Partnership II; partnership companies, therefore, are deemed to be unilaterally controlled by Conseco.

Conseco currently holds major ownership interests in the following life insurance businesses: (i) Bankers Life Holding Corporation ("BLH"), an NYSE-listed company in which Conseco currently holds a 90.5 percent ownership interest (and which is the parent company of Bankers Life and Casualty Insurance Company ("Bankers Life")); (ii) Great American Reserve Insurance Company ("Great American Reserve") and Beneficial Standard Life Insurance Company ("Beneficial Standard"), in which Conseco has had an ownership interest since their acquisition by Partnership I and which became wholly owned subsidiaries in August 1995; (iii) Bankers National Life Insurance Company ("Bankers National"), National Fidelity Life Insurance Company ("National Fidelity") and Lincoln American Life Insurance Company ("Lincoln American"), all of which are wholly owned by Conseco and which have profitable blocks of in-force business, although new sales are currently not being pursued; and (iv) American Life Group, Inc. ("AGP", formerly The Statesman Group, Inc. prior to its name change in August 1995), Partnership II's first acquisition in September 1994, in which Conseco holds a 36 percent ownership interest and which is the parent company of American Life and Casualty Insurance Company ("American Life"). BLH and its subsidiaries are collectively referred to hereinafter as BLH. Western National Corporation ("WNC"), an NYSE-listed company, and its wholly owned subsidiary, Western National Life Insurance Company ("Western National"), were wholly owned subsidiaries until February 15, 1994, when WNC completed an initial public offering ("IPO"). Conseco sold a 60 percent interest in WNC in connection with the IPO and sold its remaining 40 percent interest in a separate transaction on December 23, 1994. WNC and its subsidiaries are collectively referred to hereinafter as WNC.

On August 31, 1995, the Company completed the purchase of all of the shares of common stock of CCP Insurance, Inc. ("CCP") it did not previously own (representing 51 percent of CCP's outstanding shares) in a transaction pursuant to which CCP was merged into Conseco, with Conseco being the surviving corporation. The merger and the related transactions are referred to herein as the "CCP Merger". As a result of the CCP Merger, CCP's subsidiaries (Great American Reserve and Beneficial Standard) became wholly owned subsidiaries of the Company. The accounts of CCP are consolidated with those of the Company effective January 1, 1995.

On June 28, 1995, Conseco completed a program to acquire additional shares of BLH common stock. Shares purchased in open market and negotiated transactions increased Conseco's ownership of BLH to 85 percent (including shares of BLH owned by CCP) at June 30, 1995. Share repurchases by BLH in 1995 and 1996 increased Conseco's ownership interest in BLH to 90.5 percent at March 5, 1996.

Conseco was organized in 1979 as an Indiana corporation and commenced operations in 1982. Its executive offices are located at 11825 N. Pennsylvania Street, Carmel, Indiana 46032, and its telephone number is (317) 817-6100.

Life Insurance Operations

The Company conducts its insurance operations through three segments: (i) senior market operations, consisting of the activities of BLH; (ii) annuity operations, consisting of the activities of Great American Reserve and Beneficial Standard; and (iii) other life insurance operations, consisting of the activities of National Fidelity, Bankers National and Lincoln American.

Senior Market Operations

BLH, with total assets of approximately \$4.8 billion at December 31, 1995, markets health and life insurance and annuity products primarily to senior citizens through approximately 200 branch offices and approximately 3,300 career agents. Most of BLH's agents sell only BLH policies. Approximately 56 percent of the \$1,513.8 million of direct premiums collected by BLH in 1995 was from the sale of individual health insurance products, principally Medicare supplement and long-term care policies. BLH believes that its success in the individual health insurance market is attributable in large part to its career agency force, which permits one-on-one contacts with potential policyholders and builds loyalty to BLH among existing policyholders. Its efficient and highly automated claims processing system is designed to complement its personalized marketing strategy by stressing prompt payment of claims and rapid response to policyholder inquiries.

Annuity Operations

The annuity companies, with total assets of \$5.4 billion at December 31, 1995, market, issue and administer annuity, life and employee-benefit-related insurance products through two cost-effective distribution channels: (i) approximately 3,000 educator market specialists, who sell tax-qualified annuities and certain employee benefit-related insurance products primarily to school teachers and administrators; and (ii) approximately 9,000 professional independent producers, who sell various annuity and life insurance products aimed primarily at the retirement market. Approximately 87 percent of the \$709.8 million of total premiums collected in 1995 was from the sale of annuity products.

Other Life Insurance Operations

The Company's other insurance subsidiaries had total assets of approximately \$.8 billion at December 31, 1995. These subsidiaries have profitable in-force blocks of annuity and life products, but do not currently market their products to new customers. Premiums collected totaled \$80.0 million in 1995, including \$6.6 million of premiums from deposit funds maintained by employee benefit plans of the Company.

Partnership Operations

Partnership II completed the acquisition of 80 percent of the common stock of AGP in September 1994. AGP, with total assets of approximately \$6.2 billion at December 31, 1995, is a financial services holding company engaged primarily in the development, marketing, underwriting, issuance and administration of annuity and life insurance products. AGP collected \$825.6 million of insurance premiums and annuity deposits in 1995. Approximately 91 percent of such premiums collected in 1995 were from the sale of deferred annuities.

Conseco believes that the consolidation of the U.S. life insurance industry will continue, and the Company intends to participate in this process. Recently, there has been a change in the financial structure required to acquire life insurance companies while maintaining competitive ratings from A.M. Best Company ("A.M. Best") and other rating agencies. As a result, Conseco believes it is no longer feasible to acquire life insurance companies through highly leveraged transactions, such as those previously made by its acquisition partnerships. Conseco terminated its partnership activity in March 1996.

Fee-Based Operations

The Company's subsidiaries provide various services to affiliated and unaffiliated clients. Conseco Capital Management, Inc. ("CCM") managed \$24.7 billion of invested assets at December 31, 1995, including \$13.7 billion of assets of affiliated companies. Marketing Distribution Systems Consulting Group, Inc. ("Bankmark") provides marketing services to financial institutions related to the distribution of insurance and investment products. Conseco Risk Management, Inc. distributes property and casualty insurance products as an independent agency. Conseco Mortgage Capital, Inc. originates and services mortgages. Other subsidiaries provide policy administration, data processing, product marketing and executive management to Conseco companies, Partnership II and others. Total fees from affiliates and nonaffiliates were \$69.2 million, \$71.0 million and \$49.0 million for the years ended 1995, 1994 and 1993, respectively. 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. Earnings in this segment increase when the Company adds new clients (either affiliated or unaffiliated) and when the Company increases the fee-producing activities conducted for clients.

ADMINISTRATION

Conseco minimizes operating expenses by centralizing, standardizing and more efficiently performing many functions common to most life insurance companies. These functions include underwriting and policy administration, accounting and financial reporting, marketing, regulatory compliance, actuarial services and asset management.

Conseco's centralized management techniques resulted in significant employee reductions and expense savings in the nine insurance companies acquired between 1985 and 1992. The ratio of aggregate operating expenses (excluding commissions) to premiums collected for these nine companies was reduced from 11 percent for the last year prior to acquisition to 7.9 percent for the second full year following acquisition. The ratio of such expenses to total assets of these companies decreased from 3.4 percent to 1.6 percent in the same periods.

The administration of BLH's individual health insurance products, unlike that of life insurance or annuities, involves a high volume of claims processing, multiple contacts with policyholders and generally higher operational costs. In 1995, BLH processed more than 6 million policyholder claims. BLH has developed an efficient and highly automated policyholder administration operation to minimize the costs of such large volume processing and deliver a high level of service to its policyholders, with special emphasis on the prompt payment of claims. In most cases, BLH mails a check within a week of receiving a claim from a policyholder. BLH believes that its promptness in processing policyholder claims is a major reason for its strong reputation for service and the above-average persistency of its Medicare supplement products. Conseco (through certain of its wholly owned subsidiaries) provides BLH with certain investment advisory, executive consulting, data processing, accounting, legal, mortgage loan servicing and origination, and other services.

INVESTMENTS

CCM, a registered investment adviser wholly owned by Conseco, manages the investment portfolios of Conseco's wholly owned subsidiaries, BLH, AGP and several unaffiliated clients. CCM had approximately \$24.7 billion of assets (at fair value) under management at December 31, 1995, of which \$13.7 billion were assets of affiliated companies and \$11.0 billion were assets of unaffiliated companies. CCM's investment philosophy is to maintain a largely investment-grade fixed-income portfolio, provide adequate liquidity for expected liability durations and other requirements and maximize total return through active investment management.

Investment activities are an integral part of the Company's business; investment income is a significant component of the Company's total revenues. Profitability is significantly affected by spreads between interest yields on investments and rates credited on insurance liabilities. Although substantially all credited rates on single premium deferred annuities and flexible premium deferred annuities may be changed annually, changes in crediting rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the impact of the level of surrenders and withdrawals, may limit the Company's ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of December 31, 1995, the average yield, computed on the cost basis of the Company's investment portfolio, was 8.0 percent and the average interest rate credited on the Company's liability portfolio was 5.3 percent.

The Company seeks to balance the duration of its invested assets with the expected duration of benefit payments arising from insurance liabilities. At December 31, 1995, the adjusted modified duration of fixed maturities, trading securities and short-term investments was 5.8 years and the duration of the Company's insurance liabilities was 6.4 years.

For information regarding the composition and diversification of the investment portfolio of Conseco's subsidiaries, see "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations - Investments" and note 3 to the consolidated financial statements.

COMPETITION

Conseco's businesses operate in a highly competitive environment. The life insurance industry consists of a large number of insurance companies, many of which are substantially larger and have greater financial resources, broader and more diversified product lines and larger staffs than those of Conseco. An expanding number of banks, securities brokerage firms and other financial intermediaries also market insurance products or offer competing products, such as mutual fund products, traditional bank investments and other investment and retirement funding alternatives. Conseco also competes with many of these companies and others in providing services for fees. In most areas, competition is based on a number of factors, including pricing, service provided to distributors and policyholders, and ratings. Conseco's subsidiaries must also compete with other insurers to attract and retain the allegiance of agents.

Financial institutions, school districts, marketing companies, agents who market insurance products and policyholders use the financial strength ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market or purchase. Bankers Life, American Life, Great American Reserve and Beneficial Standard are rated "A- (Excellent)" by A.M. Best. A.M. Best ratings for the industry currently range from "A++ (Superior)" to "F (In Liquidation)". Publications of A.M. Best indicate that the "A-" rating is assigned to those companies that, in A.M. Best's opinion, have achieved excellent overall performance when compared to the standards established by A.M. Best and have demonstrated a strong ability to meet their obligations to policyholders over a long period of time. A.M. Best's rating procedure includes quantitative and qualitative evaluations of a company's financial condition and operating performance. Its quantitative evaluation is based on an analysis of a company's financial performance in the areas of profitability, leverage/capitalization and liquidity. A.M. Best's review also includes a qualitative evaluation of a company's spread of risk, quality and appropriateness of the reinsurance program, quality and diversification of assets, adequacy of policy or loss reserves, adequacy of surplus, capital structure, management experience and objectives, market presence and policyholders' confidence. In addition, Bankers Life has been assigned claims paying ability rating of "AA-" from Duff & Phelps Credit Rating Company ("Duff & Phelps") and Great American Reserve and Beneficial Standard have been assigned claims-paying ability ratings of "A+" from Duff & Phelps. Duff & Phelps' claims-paying ability ratings range from "AAA (Highest claims-paying ability)" to "DD (Company is under an order of liquidation)." The "AA-" rating represents "Very high claims-paying ability" and the "A+" rating represents "High claims-paying ability." AGP's principal operating subsidiary, American Life, has been assigned claims-paying rating of "A- (Good)" from Standard & Poor's Corporation ("Standard & Poor's"). An "A" is assigned by Standard & Poor's to those companies which, in its opinion, have a secure claims-paying ability and whose financial capacity to meeting policyholder obligations is viewed on balance as sound, but their capacity to meet such policyholder obligations is somewhat more susceptible to adverse changes in economic or underwriting conditions than more highly rated insurers. According to Standard & Poor's a minus sign attached to a Standard & Poor's claim-paying rating shows relative standing within a ratings category. Generally, rating agencies base their ratings upon information furnished to them by the issuer and upon their own investigations, studies and assumptions. A.M. Best's ratings, Duff & Phelps' claims-paying ratings and Standard & Poor's claims-paying ratings are principally based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors. Given the competitive nature of the Company's business and the increasing focus placed on the aforementioned ratings, the Company manages its business with the objective of preserving existing ratings and, where possible, achieving more favorable ratings. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if in the judgement of the rating agency circumstances so warrant. If the Company's ratings were downgraded from their current levels, sales of its products and the persistency of its in-force policies could be adversely affected in a material way.

Following Conseco's acquisition of additional shares of BLH, A.M. Best lowered its ratings of Bankers Life from "A (Excellent)" to "A- (Excellent)". Management does not believe the ratings change has had a significant impact on its business or operations. However, it is not possible to determine the extent to which such rating change will affect Bankers Life's level of sales or the persistency of its in-force business.

Following Conseco's March 1996 announcement of an agreement to acquire LPG, A.M. Best affirmed its "A- (Excellent)" ratings of Bankers Life, Great American Reserve and Beneficial Standard.

In the individual health insurance business, insurance companies compete primarily on the basis of marketing, service and price. The provisions of the Omnibus Budget Reconciliation Act of 1984 and the work of the National Association of Insurance Commissioners ("NAIC") (an association of state regulators and their staffs) have resulted in standardized policy features for Medicare supplement products. This increases the comparability of such policies and may intensify competition based on factors other than product features. See "Underwriting - BLH" and "Government Regulation." In addition to the products of other insurance companies, Bankers Life's health insurance products compete with health maintenance organizations, preferred provider organizations, and other health care related institutions which provide medical benefits based on contractual agreements.

The Company believes that its insurance companies are able to compete effectively because: (i) they emphasize specialized distribution channels where the ability to respond rapidly to changing customer needs yields a competitive edge; (ii) they are experienced in establishing and cultivating relationships with the unique distribution networks and the independent marketing companies operating in these specialized markets; (iii) they can offer competitive rates as a result of their lower-than-average operating costs and increased investment yields achieved by applying active investment portfolio management techniques; and (iv) they have reliable policyholder administrative services, supported by customized data processing systems.

UNDERWRITING

Under regulations promulgated by the NAIC and adopted as a result of the Omnibus Budget Reconciliation Act of 1990 ("OBRA"), BLH is prohibited from underwriting its Medicare supplement policies for certain first-time purchasers. If a person applies for insurance within six months following eligibility by reason of age, or disability in certain limited circumstances, the application may not be rejected due to medical conditions. For other prospective policyholders, such as senior citizens who are transferring to BLH's products, BLH's underwriting procedures are relatively limited, except for policies providing prescription drug coverage.

BLH generally applies detailed underwriting procedures designed to assess and quantify the insurance risks before it issues long-term care or comprehensive major medical products to individuals and groups. BLH's practice is to require medical examinations of applicants (including blood and urine tests, where permitted) for certain health insurance products and for life insurance products which exceed prescribed policy amounts. These requirements are graduated according to the applicant's age and may vary by type of policy or product. BLH also relies on medical records and the potential policyholder's written application, which is generally prepared under the supervision of one of BLH's trained agents.

Substantially all the life insurance policies issued by Conseco's subsidiaries are underwritten individually, although standardized underwriting procedures have been adopted for certain low face-amount life insurance coverages. After initial processing, BLH reviews each file and obtains the information needed to make an underwriting decision (such as medical examinations, doctors' statements and special medical tests). After collecting and reviewing the information, BLH either: (i) issues the policy as applied for or with an extra premium charge because of unfavorable factors; or (ii) rejects the application. BLH underwrites group insurance policies based on the characteristics of the group and its past claim experience. Underwriting with respect to single premium deferred annuities ("SPDAs") and flexible premium deferred annuities ("FPDAs") is minimal.

REINSURANCE

Consistent with the general practice of the life insurance industry, the Company's subsidiaries reinsure portions of the coverage provided by their insurance products with other insurance companies under agreements of indemnity reinsurance. Reinsurance assumed from other companies is not significant.

Indemnity reinsurance agreements are intended to limit a life insurer's maximum loss on a large or unusually hazardous risk or to obtain a greater diversification of risk. Indemnity reinsurance does not discharge the original insurer's primary liability to the insured. The Company's reinsured business is ceded to numerous reinsurers. The amount of business ceded to any one reinsurer is not material. The Company believes the assuming companies are able to honor all contractual commitments, based on the Company's periodic reviews of their financial statements, insurance industry reports and reports filed with state insurance departments.

As of December 31, 1995, the policy risk retention limit was \$.8 million or less on all of the policies of our subsidiaries. Reinsurance ceded by Conseco's subsidiaries represented 7.8 percent of gross combined life insurance in force and reinsurance assumed by Conseco's subsidiaries represented 1.7 percent of net combined life insurance in force. At December 31, 1995, Conseco's largest reinsurer accounted for less than .06 percent of total insurance liabilities and less than 9 percent of total reinsurance receivables.

EMPLOYEES

At December 31, 1995, Conseco had approximately 3,250 employees, including approximately: (i) 960 home office employees of Conseco; (ii) 1,320 home office employees of BLH; (iii) 440 branch office employees of BLH; (iv) 310 employees of AGP; and (v) 220 employees of Bankmark. None of the Company's employees is covered by a collective bargaining agreement. Conseco believes that it has excellent relations with its employees.

GOVERNMENTAL REGULATION

General

Conseco's insurance subsidiaries are subject to regulation and supervision by the states in which they transact business. The laws of these jurisdictions generally establish agencies with broad regulatory authority, including the power to: (i) grant and revoke licenses to transact business; (ii) regulate and supervise trade practices and market conduct; (iii) establish guaranty associations; (iv) license agents; (v) approve policy forms; (vi) approve premium rates for some lines of business; (vii) establish reserve requirements; (viii) prescribe the form and content of required financial statements and reports; (ix) determine the reasonableness and adequacy of statutory capital and surplus; and (x) regulate the type and amount of permitted investments.

Most states also have enacted legislation which regulates insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus debentures, the terms of affiliate transactions, and other related matters. Currently, the Company and its insurance subsidiaries have registered as holding company systems pursuant to such legislation in Texas, Missouri, Tennessee, California, Alabama, Iowa and Illinois, and they routinely report to other jurisdictions. For further information on state laws regulating the payment of dividends by insurance company subsidiaries, see "Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations - Consolidated Financial Condition" and note 13 to Conseco's consolidated financial statements.

The federal government does not directly regulate the insurance business. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation and federal taxation, do affect the insurance business. Recently, a number of state legislatures have considered or have enacted legislative proposals that alter, and in many cases increase, the authority of state agencies to regulate insurance companies and holding company systems. In addition, legislation has been introduced from time to time in recent years which, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry.

State insurance regulators and the NAIC periodically re-examine existing laws and regulations and their application to insurance companies. In recent years, the NAIC has approved, and recommended to the states for adoption and implementation, several regulatory initiatives designed to decrease the risk of insolvency of insurance companies. These initiatives include risk based capital ("RBC") requirements for determining the levels of capital and surplus an insurer must maintain in relation to its insurance and investment risks. Other NAIC regulatory initiatives impose restrictions on an insurance company's ability to pay dividends to its stockholders. These initiatives may be adopted by the various states in which the Company's subsidiaries are licensed; the ultimate content and timing of any statutes and regulations adopted by the states cannot be determined at this time. It is not possible to predict the future impact of changing state and federal regulation on the Company's operations, and there can be no assurance that existing insurance related laws and regulations will not become more restrictive in the future or that laws and regulations enacted in the future will not be more restrictive.

The NAIC's RBC requirements, which became effective December 31, 1993, are intended to be used as an early warning tool to help insurance regulators identify deteriorating or weakly capitalized companies in order to initiate regulatory action. Such requirements are not intended as a mechanism for ranking adequately capitalized companies. The formula defines a new minimum capital standard which supplements the low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis.

The NAIC's RBC requirements provide for four levels of regulatory attention, varying with the ratio of the company's total adjusted capital (defined as the total of its statutory capital, surplus, asset valuation reserve and certain other adjustments) to its RBC. If a company's total adjusted capital is less than 100 percent but greater than or equal to 75 percent of its RBC, or if a negative trend (as defined by the regulators) has occurred and total adjusted capital is less than 125 percent of RBC (the "Company Action Level"), the company must submit a comprehensive plan to the regulatory authority proposing corrective actions aimed at improving its capital position. If a company's total adjusted capital is less than 75 percent but greater than or equal to 50 percent of its RBC (the "Regulatory Action Level"), the regulatory authority will perform a special examination of the company and issue an order specifying corrective actions that must be followed. If a company's total adjusted capital is less than 50 percent but greater than or equal to 35 percent of its RBC (the "Authorized Control Level"), the regulatory authority may take any action it deems necessary, including

placing the company under regulatory control. If a company's total adjusted capital is less than 35 percent of its RBC (the "Mandatory Control Level") the regulatory authority must place the company under its control. At December 31, 1995, the total adjusted capital for each of Bankers Life, American Life, Great American Reserve and Beneficial Standard was approximately equal to or greater than twice the respective Company Action Levels.

The Texas Insurance Department adopted its own RBC requirements, the stated purpose of which is to require a minimum level of capital and surplus to absorb the financial, underwriting, and investment risks assumed by an insurer. Texas' RBC requirements differ from those adopted by the NAIC in two principal respects: (i) they use different elements to determine minimum RBC levels in their calculation formulas; and (ii) the Texas Regulations do not stipulate "Action Levels" (like those adopted by the NAIC) where corrective actions are required. However, the Commissioner of the Texas Insurance Department does have the power to take similar corrective actions if a company does not maintain the required minimum level of capital and surplus. Under the Texas Regulations, an insurer has met RBC requirements if its admitted assets exceed its liabilities by at least 3 percent. Bankers National and Great American Reserve are domiciled in Texas and must comply with Texas RBC requirements. At December 31, 1995, their admitted assets exceeded liabilities by more than twice the required 3 percent level.

Effective for statutory annual statements filed for the year ending December 31, 1992, insurance companies are required to establish an asset valuation reserve ("AVR") consisting of two components: a "default component" which provides for future credit-related losses on fixed maturity investments and an "equity component" which provides for losses on all types of equity investments, including real estate. Insurers are also required to establish an interest maintenance reserve ("IMR") for fixed maturity realized capital gains and losses, net of tax, related to changes in interest rates. The IMR must be amortized into earnings on a basis reflecting the remaining period to maturity of the fixed maturity securities sold. State regulatory authorities require that these reserves be established as a liability on a life insurer's statutory financial statements. These reserves do not affect financial statements of the Company prepared in accordance with generally accepted accounting principles ("GAAP").

The Life/Health Task Force of the NAIC recently adopted Actuarial Guideline No. 33 (the "Guideline") which defines minimum reserves for certain annuity products having multiple benefit streams (including certain annuity products of Conesco's insurance subsidiaries). The Guideline affects the accounting for applicable contracts issued on or after January 1, 1981, in financial statements prepared for state regulatory authorities for years ending on or after December 31, 1995. Implementing the Guideline on December 31, 1995, had an immaterial impact on the financial statements prepared for state regulatory authorities by the Company's insurance subsidiaries.

Most states have enacted legislation or have adopted administrative regulations which affect the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations vary from state to state. Most states, however, require administrative approval of: (i) the acquisition of 10 percent or more of the outstanding shares of an insurance company incorporated in the state; or (ii) the acquisition of 10 percent or more of the outstanding stock of an insurance holding company whose insurance subsidiary is incorporated in the state. The acquisition of 10 percent of such shares is generally deemed to be the acquisition of control for the purpose of the holding company statutes. It requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also the receipt of administrative approval prior to the acquisition. In many states, however, an insurance authority may determine that control does not exist, even in circumstances in which a person owns or controls 10 percent or a greater amount of securities.

Under the solvency or guaranty laws of most states in which they do business, Conesco's insurance subsidiaries may be required to pay guaranty fund assessments (up to certain prescribed limits). Guaranty funds are established by various states to fund policyholder losses or the liabilities of insolvent or rehabilitated insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength. In certain instances, the assessments may be offset against future premium taxes. Prior to 1991 these assessments were not material. The amount of such assessments has increased in recent years, however, and may increase in future years. The Company's insurance subsidiaries statutory financial statements for the year ended December 31, 1995, include \$3.2 million of expenses as a result of such assessments. The likelihood and amount of any other future assessments in addition to estimated amounts accrued at December 31, 1995, cannot be estimated. Such assessments are beyond the control of the Company.

Approximately once every three years, as part of their routine regulatory oversight process, insurance departments conduct detailed examinations of the books, records and accounts of insurance companies domiciled in their states. Such examinations are generally conducted in cooperation with the departments of two or three other states, under guidelines promulgated by the NAIC. Several examinations of Conesco's life insurance subsidiaries have been recently completed. The conclusions reached did not have a material adverse effect on the Company or its businesses and operations.

Health Care

Federal and state regulations have had, and are expected to continue to have, the effect of increasing the regulation of Medicare supplement plans in all states. OBRA mandated, among other things, standardized policy features in Medicare supplement plans. In July 1991, the NAIC implemented regulations creating 10 model Medicare supplement plans (Plans A through J). Plan A provides the least extensive coverage, while Plan J provides the most extensive coverage. Under NAIC regulations, Medicare insurers must offer Plan A, but may offer any of the other plans at their option. BLH currently offers nine of the model plans. BLH has declined to offer Plan J, due in part to its high benefit levels and consequently high costs to the consumer.

The NAIC model regulation concerning Medicare supplement policies also regulates the profits that insurance companies may earn in respect of any such policies by providing that Medicare supplement policies may not be issued unless it can be expected, as estimated for the period for which the prescribed rate thereunder is to provide coverage, to return to policyholders aggregate benefits equal to at least: (i) 75 percent of the aggregate amount of premiums earned on group policies; and (ii) 65 percent of the aggregate amount of premiums earned on individual policies. Technical corrections to OBRA mandate compliance with these calculations for policies issued prior to the original OBRA regulations. Under this regulation, BLH must file a Medicare Supplement Refund Calculation Form each year. If BLH's actual loss ratio falls below ratios prescribed by the Form by more than a de minimis amount, BLH must make a refund to policyholders. BLH has reviewed the loss ratios on business subject to the NAIC model regulations and currently believes that no significant refunds will be required.

Numerous proposals to reform the current health care system have been introduced in Congress and the state legislatures. Proposals have included, among other things, modifications to the existing employer-based insurance system, a quasi-regulated system of "managed competition" among health plans, and a single-payer, public program. Changes in health care policy could significantly affect BLH's business. Federal comprehensive major medical or long-term care programs, if proposed and implemented, could partially or fully replace some of BLH's current products, for example. The institution of such programs, however, also could create new opportunities for supplemental insurance similar to BLH's Medicare supplement policies. Reforms also could standardize major medical or long-term care coverages, impose mandated or targeted loss ratios or rate regulation, require the use of community rating or other means that limit the ability of insurers to differentiate among risks, or mandate utilization review or other managed care concepts to determine what benefits would be paid by insurers. These or other proposals could increase the level of competition among health insurers. In addition, changes could be made in Medicare that could necessitate revisions in BLH's Medicare supplement products. Other potential initiatives, designed to tax insurance premiums or shift medical care costs from government to private insurers, could have an adverse effect on BLH's business, although such taxes and costs might be offset in whole or in part by increasing premiums. Depending on their form, proposals designed to reduce health care costs could reduce benefits payable by BLH. BLH is unable to predict what changes to the country's health care system will be enacted, and if enacted, their scope and effects on its business. However, BLH continues to believe that its opportunities will grow under any realistic and affordable health care reform scenario.

FEDERAL INCOME TAXATION

The annuity and life insurance products marketed and issued by Conseco's subsidiaries generally provide the policyholder with an income tax advantage, as compared to other saving investments such as certificates of deposit and bonds, in that income taxation on the increase in value of the product is deferred until receipt by the policyholder. With other savings investments, the increase in value is taxed as earned. Annuity benefits, and life insurance benefits which accrue prior to the death of the policyholder, are generally not taxable until paid. Life insurance death benefits are generally exempt from income tax. Also, benefits received on immediate annuities (other than structured settlements) are recognized as taxable income ratably as opposed to the economic accrual methods, which tend to accelerate taxable income into earlier years than which are required for other investments. The tax advantage for annuities and life insurance is provided in the Internal Revenue Code (the "Code"), and is generally followed in all states and other United States taxing jurisdictions. Accordingly, the tax advantage is subject to change by Congress and by the legislatures of the respective taxing jurisdictions.

Conseco's insurance company subsidiaries are taxed under the life insurance company provisions of the Code. Provisions in the Code require a portion of the expenses incurred in selling insurance products to be deducted over a period of years, as opposed to immediate deduction in the year incurred. This provision increases the tax for statutory accounting purposes which reduces statutory surplus and, accordingly, decreases the amount of cash dividends that may be paid by the life insurance subsidiaries. For 1995, the increase in the Company's current tax due to this provision was \$18.4 million.

The Company had regular tax loss carryforwards at December 31, 1995, of approximately \$408 million, portions of which begin expiring in 1999. However, the amount of such loss that may be offset against current taxable income is subject to the following limitations: (i) losses may be offset against income of other corporate entities only if such entities are included in the same consolidated tax return (AGP is currently not eligible for inclusion in a single consolidated tax return); (ii) losses incurred in non-life companies (which comprise most of the loss carryforwards) may offset only a portion of income from life companies in the same consolidated tax return; and (iii) some loss carryforwards may not be available to offset taxable income of entities acquired after the loss was incurred. However, the Company believes it will be able to utilize the loss carryforwards prior to their expiration.

ITEM 2. PROPERTIES.

The Company's principal operations are located on a 150-acre corporate campus in Carmel, Indiana, immediately north of Indianapolis. These facilities contain approximately 416,000 square feet of space in seven buildings which contain Conesco's executive offices and certain administrative operations of its subsidiaries. These facilities include sufficient capacity for future growth.

BLH currently leases 300,000 square feet of executive office and administration space in a single facility in downtown Chicago under a 15-year lease agreement. BLH also leases approximately 100,000 square feet of warehouse space in a second Chicago facility under a 10-year lease agreement executed in 1993. BLH leases more than 200 sales offices totaling approximately 350,000 square feet. All of the sales office leases are short-term in length, with remaining lease terms ranging from one to five years.

AGP owns the building housing its principal operations in Des Moines, Iowa, consisting of approximately 107,000 square feet of space. The land underlying the building is subject to a long-term lease expiring in 2016, at which time title to the building will pass to the lessor. AGP owns another building housing its operations in Birmingham, Alabama, consisting of 44,000 square feet.

ITEM 3. LEGAL PROCEEDINGS.

Conesco and its subsidiaries are involved in lawsuits primarily related to their operations. Most of these lawsuits involve claims under insurance policies or other contracts of the Company. Even though Conesco may be contesting the validity or extent of its liability in response to such lawsuits, the Company has established reserves in its consolidated financial statements which approximate its estimated potential liability or cost of defense. Accordingly, none of the lawsuits currently pending, either individually or in the aggregate, is expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

OPTIONAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Officer name and age (a)	Since	Positions with Conseco, principal occupation and business experience (b)
----- Stephen C. Hilbert, 50.....	1979	----- Since 1979, Chairman of the Board and Chief Executive Officer and, since 1988, President of Conseco.
Ngaire E. Cuneo, 45	1992	Since 1992, Executive Vice President, Corporate Development and, since 1994, Director of Conseco; from 1986 to 1992, Senior Vice President and Corporate Officer of General Electric Capital Corporation.
Rollin M. Dick, 64.....	1986	Since 1986, Executive Vice President, Chief Financial Officer and Director of Conseco.
Donald F. Gongaware, 60.....	1985	Since 1985, Executive Vice President and Director and, since 1989, Chief Operations Officer of Conseco.
Lawrence W. Inlow, 45.....	1986	Since 1986, Executive Vice President and General Counsel of Conseco.

(a) The executive officers serve as such at the discretion of the Board of
Directors and are elected at the annual meeting of the Board.

(b) Business experience is given for at least the last five years.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER

MATTERS.

MARKET INFORMATION

The common stock of Conseco (trading symbol "CNC") has been listed for trading on the New York Stock Exchange (the "NYSE") since 1986. The following table sets forth the quarterly dividends paid per share and the ranges of high and low sales prices per share on the NYSE for the last two fiscal years, based upon information supplied by the NYSE. All applicable per share data have been adjusted for the two-for-one stock split to be distributed on April 1, 1996.

Period	Market price		Dividend paid
	High	Low	
1994:			
First Quarter.....	32-1/8	26-9/16	.0625
Second Quarter.....	29-1/16	23-3/16	.0625
Third Quarter.....	26-3/16	21-5/8	.0625
Fourth Quarter.....	23-1/8	17-15/16	.0625
1995:			
First Quarter.....	24-5/16	16-1/4	.0625
Second Quarter.....	23-5/16	19-9/16	.0625
Third Quarter.....	26-5/8	22-3/4	.01
Fourth Quarter.....	31-9/16	25-7/16	.01

As of March 5, 1996, there were approximately 13,000 holders of the outstanding shares of common stock, including individual participants in securities position listings.

DIVIDENDS

In October 1988, Conseco's Board of Directors adopted a policy of paying regular quarterly cash dividends on its common stock. The first such dividend was \$.00625 per share. Subsequent dividends, which were increased to \$.0075 per share effective with the dividend paid October 1, 1990, to \$.01 per share effective with the dividend paid October 1, 1991, to \$.0125 per share effective with the dividend paid January 4, 1993, to \$.0625 per share effective with the dividend paid October 1, 1993, have been paid on the first business day of each calendar quarter, after review by the Board of Directors of the Company's interim operating results. On March 3, 1995, Conseco's Board of Directors reduced the quarterly cash dividend to 1 cent per share, effective with the dividend paid in July 1995. Conseco's Board of Directors increased the quarterly cash dividend to be paid on April 1, 1996, to 2 cents per share from the current rate of 1 cent. The Company's general policy is to retain most of its earnings. Retained earnings have been used: (i) to finance the growth and development of the Company's business through acquisitions or otherwise; and (ii) to finance the repurchase of common stock on those occasions when the Company has determined that the use of funds for stock repurchases would not interfere with other cash needs and that its shares were undervalued in the market.

In February 1993, the Company issued \$287.5 million liquidation value Series D Cumulative Convertible Preferred Stock ("Series D Preferred Stock"), on which dividends (\$3.25 per share) are cumulative from the date of original issue and are payable quarterly, commencing April 15, 1993. The terms of the Series D Preferred Stock prohibit the payment of cash dividends on capital stock ranking junior to the Series D Preferred Stock if the Company is not current in its Series D dividend payments. The Company paid dividends on the Series D Preferred Stock of \$18.5 million, \$18.6 million and \$13.5 million during 1995, 1994 and 1993, respectively, and is current on its payments.

On January 23, 1996, the Company issued 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities, 7% Convertible Preferred Stock ("PRIDES"). Each share of PRIDES pays dividends at the annual rate of 7 percent of the stated \$61.125 liquidation preference per share (equivalent to an annual amount of \$4.279 per share), payable quarterly commencing February 1, 1996. The shares of PRIDES rank prior to common stock and on parity with the Series D Preferred Stock, as to payment of dividends.

The principal operating subsidiaries of Conseco are life insurance companies organized under state laws and subject to regulation by state insurance departments. These laws and regulations limit the ability of insurance subsidiaries to make cash dividends, loans or advances to a holding company such as Conseco. However, these laws generally permit the payment, without prior approval, of annual dividends which in the aggregate do not exceed the greater of (or in a few states, the lesser of): (i) the subsidiary's prior year net gain from operations; or (ii) 10 percent of surplus attributable to policyholders at the prior year-end, both computed on the statutory basis of accounting prescribed for insurance companies. For further information on state laws regulating the payment of dividends by insurance subsidiaries, see "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations - Consolidated Financial Condition" and note 13 to Conseco's consolidated financial statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA (a).

	Years ended December 31,				
	1995	1994	1993	1992	1991
(Amounts in millions, except per share amounts)					
STATEMENT OF OPERATIONS DATA					
Insurance policy income.....	\$1,465.0	\$1,285.6	\$1,293.8	\$378.7	\$ 280.8
Investment activity:					
Net investment income.....	1,142.6	385.7	896.2	888.6	921.4
Net trading income (losses)	2.5	(4.9)	93.1	35.9	50.7
Net realized gains (losses)	186.4	(25.6)	149.5	124.3	123.3
Total revenues.....	2,855.3	1,862.0	2,636.0	1,523.9	1,391.8
Interest expense on notes payable.....	119.4	59.3	58.0	46.2	69.9
Total benefits and expenses.....	2,436.8	1,537.6	2,025.8	1,193.9	1,168.6
Income before income taxes, minority interest and extraordinary charge.....	418.5	324.4	610.2	330.0	223.2
Extraordinary charge on extinguishment of debt, net of tax..	2.1	4.0	11.9	5.3	5.0
Net income.....	220.4	150.4	297.0	169.5	116.0
Preferred dividends.....	18.4	18.6	20.6	5.5	6.8
Net income applicable to common stock.....	202.0	131.8	276.4	164.0	109.2
PER SHARE DATA (b)					
Net income, primary.....	\$ 4.69	\$ 2.50	\$ 4.73	\$ 2.71	\$ 2.05
Net income, fully diluted.....	4.22	2.44	4.39	2.70	2.01
Dividends declared per common share.....	.093	.25	.15	.043	.035
Book value per common share outstanding.....	20.44	10.45	16.89	10.93	7.73
Shares outstanding at year-end.....	40.5	44.4	50.6	49.8	49.4
Average fully diluted shares outstanding.....	52.2	61.7	67.0	59.2	50.8
BALANCE SHEET DATA - PERIOD END					
Total assets.....	\$17,297.5	\$10,811.9	\$13,749.3	\$11,772.7	\$11,832.4
Notes payable for which Conseco is directly liable.....	871.4	191.8	413.0	163.2	177.6
Notes payable of BLH, not direct obligations of Conseco.....	301.5	280.0	290.3	392.0	-
Notes payable of Partnership entities, not direct obligations of Conseco.....	283.2	331.1	-	-	319.3
Total liabilities.....	15,782.5	9,743.2	12,382.9	11,154.4	11,321.3
Minority interest.....	403.3	321.7	223.8	24.0	79.5
Shareholders' equity	1,111.7	747.0	1,142.6	594.3	431.6
OTHER FINANCIAL DATA (c)					
Premiums collected (d).....	\$3,129.2	\$1,879.1	\$2,140.1	\$1,464.9	\$1,648.7
Operating earnings (e).....	131.3	151.7	162.0	114.8	61.5
Operating earnings per fully diluted common share (e).....	2.52	2.46	2.39	1.80	1.05
Shareholders' equity excluding unrealized appreciation (depreciation) of fixed maturity securities (f).....	999.1	884.7	1,055.2	560.3	N/A
Book value per common share outstanding, excluding unrealized appreciation (depreciation) of fixed maturity securities (f).....	17.66	13.55	15.16	10.24	N/A

(a) Comparison of consolidated financial information in the above table is significantly affected by the Partnership I and Partnership II acquisitions, the sale of WNC and the transactions affecting Conseco's ownership interest in BLH and CCP. For periods beginning with their acquisitions and ending June 30, 1992, Partnership I and its subsidiaries were consolidated with the financial statements of Conseco. Following the completion of the initial public offering by CCP, the Company did not have unilateral control to direct all of CCP's activities and, therefore, did not consolidate the financial statements of CCP with the financial statements of Conseco. As a result of the CCP Merger, the financial statements of CCP's subsidiaries are consolidated with the financial statements of Conseco, effective January 1, 1995. The Company has included BLH in its financial statements since November 1, 1992. Through December 31, 1993, the financial statements of WNC were consolidated with the financial

statements of Conseco. Following the completion of the IPO of WNC (and subsequent disposition of Conseco's remaining equity interest in WNC), the financial statements of WNC were no longer consolidated with the financial statements of Conseco. As of September 29, 1994, the Company began to include in its financial statements the newly acquired Partnership II subsidiary, AGP. Refer to the notes to consolidated financial statements for a description of business combinations.

- (b) All share and per share amounts have been restated to reflect the two-for-one stock split paid April 1, 1996.
- (c) Amounts under this heading are included to assist the reader in analyzing the Company's financial position and results of operations. Such amounts are not intended to, and do not, represent insurance policy income, net income, net income per share, shareholders' equity or book value per share prepared in accordance with generally accepted accounting principles ("GAAP").
- (d) Includes premiums received from annuities and universal life policies, which are not reported as revenues under GAAP.
- (e) Represents income before extraordinary charge, excluding net trading income (losses) (net of income taxes), net realized gains (losses) on investments (less that portion of change in future policy benefits, amortization of cost of policies purchased and the cost of policies produced and income taxes relating to such gains) and restructuring activities (net of income taxes).
- (f) Excludes the effects of reporting fixed maturities at fair value and recording the unrealized gain or loss on such securities as a component of shareholders' equity, net of tax and other adjustments, which the Company began to do in 1992. Such adjustments are in accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), as described in note 1 to the consolidated financial statements included elsewhere herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion should be read in conjunction with the accompanying consolidated financial statements, notes thereto and financial statistics. Changes in 1995, 1994 and 1993 balances in the consolidated financial statements are caused primarily by the transactions described in note 1 "Significant Accounting Policies - Basis of Presentation" and note 2 "Acquisitions/Dispositions" to the consolidated financial statements.

RESULTS OF OPERATIONS

Conseco generates earnings primarily by operating life insurance companies and providing services to affiliates and nonaffiliates for fees. In the past, Conseco was also active in acquiring and restructuring life insurance companies in partnership with other investors.

Life Insurance Company Operations

The Company's life insurance operations are conducted through four activities: (i) senior market operations, consisting of the activities of BLH; (ii) annuity operations, consisting of the activities of the Company's annuity companies (Great American Reserve and Beneficial Standard); (iii) other life insurance operations, consisting of the activities of the Company's other wholly owned subsidiaries (National Fidelity, Bankers National and Lincoln American), which have profitable blocks of business but do not currently market their products to new customers; and (iv) Partnership II operations, consisting of the activities of AGP.

Life insurance operation earnings increase when Conseco: (i) improves the profitability of owned companies by increasing their sales, investment income or product profitability, or by reducing their expenses; (ii) increases its ownership interest in the partially owned companies; or (iii) acquires an interest in additional companies.

Fee-Based Operations

Conseco provides all affiliated and other unaffiliated clients with various services, including investment management, mortgage origination and servicing, policy administration, data processing, product marketing and executive management services. In addition, subsidiaries of Conseco earn fees by: (i) providing marketing services to financial institutions related to the distribution of insurance and investment products; (ii) providing financing services to Partnership II; and (iii) distributing property and casualty insurance products as an independent agency.

Earnings in this segment increase when Conseco adds new clients (either affiliated or unaffiliated) and when Conseco increases the fee-producing activities conducted for clients.

Restructuring Activities

Since commencing operations in 1982, Conseco has acquired 12 life insurance companies and related businesses. Conseco acquired the first seven as wholly owned subsidiaries and the last five through its acquisition partnership. Recent acquisition activity is described in notes 1 and 2 to the consolidated financial statements. All acquisitions have been accounted for as purchases. Therefore, activities of the acquired companies have been included in Conseco's results of operations beginning with the date of purchase.

Of the first seven companies acquired by Conseco as wholly owned subsidiaries, four were subsequently sold (including WNC through an IPO in February 1994 and the subsequent sale of Conseco's remaining interest in WNC in December 1994, as described in note 2 to the consolidated financial statements). Three remain as wholly owned subsidiaries. The first three companies acquired by Partnership I (two of which were merged at the end of 1994) are now wholly owned subsidiaries of Conseco. The fourth and final acquisition of Partnership I became a wholly owned subsidiary of BLH, in which Conseco currently holds a 90.5 percent interest. In addition, Conseco currently holds a 36 percent interest in the acquisition made by Partnership II. Conseco records the activities of acquired companies in its insurance operations segment. Conseco also provides services to acquired companies, thereby generating income in the fee-based operations segment. Incentive compensation earned by exceeding prescribed returns to the partners and restructuring gains realized from the sale of portions of the acquired entities are reflected in the restructuring segment.

Recently, there has been a change in the financial structure required to acquire life insurance companies while maintaining competitive ratings from A.M. Best and other rating agencies. As a result, Conseco believes it is no longer feasible to acquire life insurance companies through highly leveraged transactions, such as those made in the past by the acquisition partnerships. Conseco, therefore, terminated Partnership II in March 1996. Conseco may accomplish future acquisitions through different financial structures, including acquisitions using its equity capital or other means.

In addition to its life insurance acquisitions, two wholly owned subsidiaries (Conseco Private Capital Group and Conseco Global Investments) make direct strategic investments in growing companies, providing these firms with the capital or financing they need to continue their growth, make acquisitions or realize the potential of their businesses. When these investments are sold, Conseco reports the gains in this segment.

Analysis of Net Income and Fully Diluted Earnings Per Share

The following table shows the sources of Conseco's net income (after taxes and minority interest) for the last three years:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Life Insurance Operations:			
Senior market operations:			
Operating earnings.....	\$83.1	\$ 68.9	\$ 36.9
Net trading income (losses).....	1.0	(.6)	6.9
Net realized gains (losses).....	1.7	(3.4)	2.9
Extraordinary charge	(1.4)	-	(3.1)
Net income.....	84.4	64.9	43.6
Annuity operations:			
Operating earnings.....	39.8	23.7	24.9
Net trading income (losses).....	1.0	(.2)	5.5
Net realized gains (losses).....	1.0	(.5)	4.2
Extraordinary charge.....	-	(2.1)	-
Net income.....	41.8	20.9	34.6
Other life insurance operations:			
Operating earnings.....	15.0	23.5	27.5
Net trading income (losses).....	(1.5)	(.7)	8.6
Net realized losses.....	(5.2)	(9.1)	(1.3)
Net income.....	8.3	13.7	34.8
Partnership II operations:			
Operating earnings.....	12.4	1.5	-
Trading income.....	.2	-	-
Net realized gains.....	10.2	-	-
Extraordinary charge.....	(.7)	-	-
Net income.....	22.1	1.5	-
WNC:			
Operating earnings.....	-	43.1	93.4
Net trading income.....	-	2.6	32.1
Net realized gains (losses).....	-	(7.1)	4.5
Net income.....	-	38.6	130.0
Fee-based operations.....	20.1	25.1	14.3
Restructuring activities.....	87.1	23.2	83.3
Interest and other:			
Interest expense on notes payable.....	(32.6)	(18.0)	(19.9)
Operating expenses, net of revenues	(6.5)	(16.1)	(15.1)
Net trading losses.....	(1.5)	(1.4)	(.7)
Net realized gains (losses).....	(2.8)	(.1)	.9
Extraordinary charge.....	-	(1.9)	(8.8)
Net loss.....	(43.4)	(37.5)	(43.6)

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	1995	1994	1993
	----	----	----
(Dollars in millions)			
Consolidated earnings:			
Operating earnings.....	\$131.3	\$151.7	\$162.0
Net trading income (losses).....	(.8)	(.3)	52.4
Net realized gains (losses).....	4.9	(20.2)	11.2
Restructuring income.....	87.1	23.2	83.3
Extraordinary charge.....	(2.1)	(4.0)	(11.9)
	-----	-----	-----
Net income.....	\$220.4	\$150.4	\$297.0
	=====	=====	=====

The following table shows the sources of Conseco's fully diluted earnings per share for the last three years:

	1995	1994	1993
-----	-----	-----	-----
Life Insurance Operations:			
Senior market operations:			
Operating earnings.....	\$ 1.60	\$ 1.12	\$.55
Net trading income (losses).....	.02	(.01)	.10
Net realized gains (losses).....	.03	(.06)	.05
Extraordinary charge.....	(.03)	-	(.05)
Net income.....	1.62	1.05	.65
-----	-----	-----	-----
Annuity operations:			
Operating earnings.....	.76	.38	.37
Net trading income (losses).....	.02	-	.08
Net realized gains (losses).....	.02	(.01)	.06
Extraordinary charge.....	-	(.03)	-
Net income.....	.80	.34	.51
-----	-----	-----	-----
Other life insurance operations:			
Operating earnings .....	.29	.38	.40
Net trading income (losses).....	(.03)	(.01)	.13
Net realized losses.....	(.10)	(.15)	(.02)
Net income.....	.16	.22	.51
-----	-----	-----	-----
Partnership II operations:			
Operating earnings.....	.24	.02	-
Trading income.....	-	-	-
Net realized gains.....	.19	-	-
Extraordinary charge.....	(.01)	-	-
Net income .....	.42	.02	-
-----	-----	-----	-----
WNC:			
Operating earnings.....	-	.70	1.37
Net trading income.....	-	.04	.47
Net realized gains (losses).....	-	(.11)	.06
Net income.....	-	.63	1.90
-----	-----	-----	-----
Fee-based operations.....	.38	.41	.21
-----	-----	-----	-----
Restructuring activities.....	1.67	.38	1.25
-----	-----	-----	-----
Interest and other:			
Interest expense on notes payable.....	(.62)	(.29)	(.29)
Operating expenses	(.13)	(.26)	(.22)
Net trading losses.....	(.03)	(.03)	(.01)
Net realized gains.....	(.05)	-	.01
Extraordinary charge.....	-	(.03)	(.13)
Net loss.....	(.83)	(.61)	(.64)
-----	-----	-----	-----

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	1995	1994	1993
Consolidated earnings:	---	---	---
Operating earnings.....	\$2.52	\$2.46	\$2.39
Net trading income (losses).....	(.02)	(.01)	.77
Net realized gains (losses).....	.09	(.33)	.16
Restructuring income.....	1.67	.38	1.25
Extraordinary charge.....	(.04)	(.06)	(.18)
Net income.....	\$4.22	\$2.44	\$4.39
	=====	=====	=====

The following table analyzes changes in Conseco's fully diluted earnings per share:

	1995 compared to 1994	1994 compared to 1993
	---	---
Fully diluted earnings per share:		
Current year.....	\$ 4.22	\$ 2.44
Prior year.....	2.44	4.39
Net increase (decrease).....	\$1.78	\$(1.95)
	=====	=====
Increase (decrease) related to changes in income: Operations of life insurance companies:		
Operating earnings:		
Senior market operations.....	\$.23	\$.48
Annuity operations .....	.26	(.01)
Other life insurance operations.....	(.14)	(.06)
Partnership II operations.....	.18	.02
WNC.....	(.70)	(.73)
Net trading income (losses).....	(.01)	(.76)
Net realized gains (losses).....	.45	(.45)
Extraordinary charge.....	-	.02
	-----	-----
Increase (decrease) from operations of life insurance companies.....	.27	(1.49)
Fee-based operations.....	(.08)	.17
Restructuring activities.....	1.04	(.90)
Interest and other.....	(.10)	.08
	-----	-----
Total related to changes in income.....	1.13	(2.14)
Increase related to issuances and repurchases of common or common equivalent shares.....	.65	.19
	-----	-----
Net increase (decrease).....	\$1.78	\$(1.95)
	=====	=====

Additional Discussion of Consolidated Statement of Operations for the Three Years Ended December 31, 1995:

The following tables and narratives summarize amounts reported in the consolidated statement of operations. Many of the changes from period to period resulted from: (i) the acquisition of AGP on September 29, 1994; and (ii) changes in Conseco's ownership in BLH, WNC and CCP.

Life Insurance Operations:

Senior Market Operations:

	1995 ---	1994 ---	1993 ---
(Dollars in millions)			
Revenues:			
Insurance policy income.....	\$1,247.2	\$1,213.8	\$1,200.7
Investment activity:			
Net investment income.....	247.2	219.5	174.7
Net trading income (losses).....	2.5	(1.6)	31.5
Net realized gains (losses).....	22.1	(9.8)	43.6
Total revenues.....	1,522.4	1,437.0	1,450.5
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits.....	940.2	883.8	864.3
Interest expense on annuities and financial products.....	77.7	59.7	36.5
Interest expense on notes payable.....	30.4	30.9	36.0
Amortization related to operations	120.8	118.3	116.9
Amortization related to realized gains (losses).....	17.4	(3.2)	30.5
Other operating costs and expenses.....	142.4	143.7	154.3
Income before taxes, minority interest and extraordinary charge.....	188.4	197.1	208.1
Income tax expense.....	71.8	76.5	80.2
Income before minority interest.....	116.6	120.6	127.9
Minority interest.....	30.8	55.7	81.2
Extraordinary charge (net of minority interest: 1995 - \$.2 million; 1993 - \$4.8 million).....	(1.4)	-	(3.1)
Net income.....	84.4	64.9	43.6
Summarized by component, all net of applicable expenses, taxes and minority interest:			
Operating earnings	83.1	68.9	36.9
Net trading income (losses)	1.0	(.6)	6.9
Net realized gains (losses)	1.7	(3.4)	2.9
Extraordinary charge on extinguishment of debt.....	(1.4)	-	(3.1)
Net income	84.4	64.9	43.6

General. Conseco acquired a 44 percent ownership interest in BLH in November 1992, the date BLH was acquired by Partnership I. In March 1993, BLH completed an IPO of its common stock, thus reducing Conseco's ownership to 31 percent. On September 30, 1993, Conseco acquired 13.3 million additional common shares of BLH, increasing its ownership interest to 56 percent. During 1994, BLH acquired 1.8 million shares of its common stock at a cost of \$35.7 million, which increased Conseco's ownership interest in BLH to 58 percent. During 1995, BLH repurchased 2.2 million shares of its common stock at a cost of \$42.1 million and Conseco acquired 12.8 million shares of BLH common stock for \$262.4 million. As a result of these transactions, Conseco's ownership in BLH increased to 88 percent as of December 31, 1995 (it was 90.5 percent as of March 5, 1996). Conseco's weighted average ownership of BLH during 1995 was 74 percent. At December 31, 1995, the BLH shares owned by Conseco had a net carrying value of approximately \$958.9 million and a cost of \$575.5 million. All activities of BLH are included in Conseco's financial statements on a consolidated basis since November 1, 1992. Conseco's minority interest adjustment, however, removes the portion of BLH's net income applicable to other owners.

Insurance policy income is comprised primarily of individual health premiums, which increased as a result of increases in Medicare supplement and long-term care premiums, partially offset by the decrease in major medical products that was anticipated due to prior steps taken to improve the profitability of this product.

Net investment income increased 13 percent in 1995 and 26 percent in 1994. Average invested assets (amortized cost basis) increased 11 percent in 1995, to \$3.4 billion, and 32 percent, to \$3.0 billion, in 1994. For 1995 compared to 1994, the percentage increase in net investment income was greater than the percentage increase in average invested assets because the yield earned on average invested assets increased to 7.3 percent in 1995 from 7.2 percent in 1994. For 1994 compared to 1993, the percentage increase in net investment income was less than the percentage increase in average invested assets because the yield earned on average invested assets decreased to 7.2 percent in 1994 from 7.6 percent in 1993.

Invested assets grew as a result of: (i) recurring operations; (ii) the recapture in 1994 and 1993 of reinsurance treaties with related assets totaling \$371 million and \$182 million, respectively; and (iii) capital transactions in connection with BLH's IPO, as discussed in the notes to the consolidated financial statements.

Net trading income and losses often fluctuate from year to year, based on market conditions for trading activities.

Net realized gains and losses often fluctuate from year to year. BLH sold approximately \$1.0 billion of fixed maturity securities in 1995, \$1.2 billion in 1994 and \$2.2 billion in 1993. Net realized gains in 1995 were net of a \$2.2 million writedown of certain exchange-rate linked securities as a result of currency fluctuations and a \$5.0 million writedown of two corporate securities as a result of changes in conditions which caused BLH to conclude that a decline in their fair values was other than temporary.

Selling securities at a gain and reinvesting the proceeds at lower yields may, absent other management action, tend to decrease future investment yields. The Company believes, however, the following factors would mitigate the adverse effect of such decreases on net income: (i) the Company recognizes additional amortization of the cost of policies purchased and the cost of policies produced in the same period as the gain in order to reflect reduced future yields (thereby reducing such amortization in future periods); (ii) the Company can reduce interest rates credited to some products thereby diminishing the effect of the yield decrease on the investment spread; and (iii) the investment portfolio grows as a result of reinvesting the realized gains.

Realized investment gains (losses) affect the timing of the amortization of cost of policies purchased and cost of policies produced. See amortization related to realized gains and losses below.

Insurance policy benefits and change in future policy benefits have increased primarily because of: (i) the higher incidence of medical provider claims in the Medicare supplement line; and (ii) the increased amount of business in force, on which benefits are incurred. The table below summarizes insurance policy income and the ratio of policy benefits to insurance policy income for the Company's individual health and group products.

	1995	1994	1993
	----	----	----
	(Dollars in millions)		
Medicare supplement			
Insurance policy income.....	\$605.5	\$588.8	\$559.3
Ratio of policy benefits to insurance policy income.....	71.3%	65.9%	63.8%
Long-term care			
Insurance policy income	151.4	127.8	112.3
Ratio of policy benefits to insurance policy income.....	60.5%	63.5%	60.8%
Other individual health lines			
Insurance policy income.....	104.7	119.9	145.4
Ratio of policy benefits to insurance policy income	49.4%	56.6%	58.7%
Group life and health			
Insurance policy income.....	284.8	276.6	289.7
Ratio of policy benefits to insurance policy income	98.5%	97.7%	97.9%

The ratio of policy benefits to insurance policy income for Medicare supplement policies in 1995 reflects a higher incidence of claims. Additionally, federal legislation regarding the standardization of Medicare supplement plans for policies issued after 1991 (see "Business of Conseco - Regulation"), including the establishment of minimum loss ratios, has had the effect of increasing Medicare supplement loss ratios, since a greater percentage of Bankers' in-force premiums now relate to policies issued after 1991.

Changes in the ratio of policy benefits to insurance policy income for long-term care policies reflect fluctuations in claim experience and reserve development.

Insurance policy income related to other individual health lines has declined over the last three years. BLH has taken steps to increase the profitability of these products; premiums have decreased as a result. Profitability of this line continues to be favorably impacted by such actions, as reflected in the improved ratio of policy benefits to insurance policy income.

The group business consists principally of health insurance products and administrative services. This product effectively shifts most or all of the risks of adverse loss experience to the insured, limiting BLH's underwriting risk over time. These group policies generally permit premiums to be adjusted prospectively to reflect the historical loss experience of the group.

Interest expense on annuities and financial products increased over the last three years as a result of the increase in annuity reserves due to: (i) the reinsurance recapture transactions described above; and (ii) increased new sales. At December 31, 1995, 1994 and 1993, the weighted average crediting rate for the Company's annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.4 percent, 5.4 percent and 5.7 percent, respectively.

Amortization related to operations was primarily affected by: (i) the increase in the amount of business in force on which acquisition costs are capitalized and amortized in subsequent periods; and (ii) the increase in goodwill related to Conseco's purchases of additional shares of BLH's common stock on September 30, 1994 and in 1995.

Cost of policies produced represents the cost of producing new business (primarily commissions and certain costs of policy issuance and underwriting)

which varies with and is primarily related to the production of new business. Costs deferred may represent amounts paid in the period new business is written (such as underwriting costs and first year commissions) or in periods after the business is written (such as commissions paid in subsequent years in excess of ultimate commissions paid).

Cost of policies purchased represents the portion of Conseco's cost to acquire BLH that is attributable to the right to receive cash flows from insurance contracts in force at the acquisition dates. Some costs incurred subsequent to the purchases on policies issued prior to such dates, which otherwise would have been deferred had it not been for the purchases (because they vary with and are primarily related to the production of the acquired interests in policies), are expensed. Such costs are primarily comprised of certain commissions paid in excess of ultimate commissions which have been expensed as operating expense. However, such amounts were considered in determining the cost of policies purchased and its amortization.

Amortization related to realized gains (losses) fluctuated in the last three years as a result of the changes in realized gains and losses discussed above.

Interest expense on notes payable decreased over the last three years. Debt was reduced through scheduled and unscheduled principal payments totaling \$16.0 million, \$11.0 million and \$130.0 million in 1995, 1994 and 1993, respectively.

Income tax expense fluctuated during the last three years primarily in relationship to pretax income. The effective tax rate of 38 percent for 1995 and 39 percent for 1994 and 1993 exceeded the statutory corporate income tax rate (35 percent) primarily because goodwill amortization is not deductible for federal income tax purposes.

Minority interest declined in each year as Conseco's ownership interest in BLH increased as previously discussed.

Extraordinary charge related to BLH's prepayment of debt. The 1995 charge was primarily the result of BLH's retirement of its senior term loan using the proceeds from a \$110.0 million credit facility. Conseco's share of this charge was \$1.4 million. In 1993 BLH retired all of its junior notes, prepaid a portion of its senior term loan and repurchased \$20 million of its Series B Senior Subordinated Notes, resulting in an extraordinary charge of \$7.9 million. Conseco's share of this charge was \$3.1 million.

Annuity Operations:

	For the years ended December 31,				
	1995		1994		1993
	(Dollars in millions)				
	Included in Conseco's accounts	Total CCP	Included in Conseco's accounts	Total CCP	Included in Conseco's accounts
	---	-----	-----	---	-----
Revenues:					
Insurance policy income.....	\$109.3	\$114.5	\$ -	\$127.8	\$ -
Investment activity:					
Net investment income.....	393.1	367.8	-	412.9	-
Net trading income (losses).....	3.2	(.9)	-	24.3	-
Net realized gains.....	27.6	2.9	-	55.8	-
Equity in earnings of CCP.....	-	-	24.7	-	37.4
Equity in earnings of BLH.....	-	-	-	1.2	-
Gain on sale of stock by BLH.....	-	-	-	10.5	-
Total revenues.....	533.2	484.3	24.7	632.5	37.4
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits.....	71.9	75.8	-	77.0	-
Interest expense on annuities and financial products.....	229.1	208.6	-	243.5	-
Interest expense on notes payable.....	13.7	10.7	-	16.1	-
Interest expense on short-term investment borrowings.....	9.3	5.2	-	4.4	-
Amortization related to operations	34.4	25.3	-	29.4	-
Amortization related to realized gains.....	24.8	3.7	-	36.4	-
Other operating costs and expenses.....	49.9	54.6	-	52.2	-
Income before taxes, minority interest and extraordinary charge.....	100.1	100.4	24.7	173.5	37.4
Income tax expense	37.9	37.4	1.7	65.9	2.8
Income before minority interest and extraordinary charge.....	62.2	63.0	23.0	107.6	34.6
Minority interest	20.4	-	-	-	-
Extraordinary charge.....	-	(4.9)	(2.1)	-	-
Net income.....	41.8	58.1	20.9	107.6	34.6
Summarized by component, all net of applicable expenses, taxes and minority interest:					
Operating earnings	39.8	64.7	23.7	81.1	24.9
Net trading income (losses).....	1.0	(.6)	(.2)	15.8	5.5
Net realized gains (losses).....	1.0	(1.1)	(.5)	10.7	4.2
Extraordinary charge.....	-	(4.9)	(2.1)	-	-
Net income	41.8	58.1	20.9	107.6	34.6

General. The annuity operations include earnings from the former CCP subsidiaries, Beneficial Standard and Great American Reserve. As described in the notes to the consolidated financial statements, the CCP subsidiaries became wholly owned subsidiaries of Conseco upon the CCP Merger in August 1995. Conseco's consolidated statement of operations reflects these operations on the equity method in 1994 and 1993 based on Conseco's 42 percent and 37 percent average ownership of CCP during those years. Conseco's consolidated statement of operations reflects these operations on a consolidated basis in 1995, based on Conseco's 49 percent average ownership for the first eight months and 100 percent ownership for the last four months of the year. The minority interest adjustment removes from Conseco's net income the portion applicable to other owners during the 1995 period prior to the CCP Merger.

Insurance policy income consists of premiums received on traditional life insurance products and policy fund and surrender charges assessed against investment type products. This account decreased in the last three years as a result of a decrease in sales of policies with mortality or morbidity risks, partially offset by an increase in surrender charges resulting from higher annuity policy withdrawals. Surrender charges assessed against annuity withdrawals were \$9.8 million, \$8.0 million and \$9.4 million in 1995, 1994 and 1993, respectively, and annuity withdrawals were \$359.5 million, \$353.8 million and \$245.0 million for the same periods, respectively. Increases in withdrawals were primarily due to the increased size of CCP's annuity portfolio and increased competition from higher yielding alternative investment products.

Net investment income increased 6.9 percent in 1995 and decreased 11 percent in 1994. Average invested assets (amortized cost basis) increased 3.5 percent in 1995 to \$4.8 billion and increased 1.0 percent in 1994 to \$4.7 billion. For 1995 compared to 1994, the percentage increase in net investment income was greater than the percentage increase in average invested assets because: (i) the yield earned on average invested assets increased to 8.2 percent in 1995 from 7.9 percent in 1994; (ii) net investment income generated on dollar-roll transactions increased to \$11.7 million in 1995 from \$6.7 million in 1994; and (iii) net investment income on separate account assets increased to \$19.2 million in 1995 from \$2.3 million in 1994. Net investment income from separate account assets for all periods is offset by a corresponding change to interest expense on annuities and financial products. For 1994 compared to 1993, the percentage increase in net investment income was less than the percentage increase in average invested assets because: (i) the yield earned on average invested assets decreased to 7.9 percent in 1994 from 8.9 percent in 1993; and
(ii) net investment income from separate account assets decreased to \$2.3 million from \$11.8 million in 1993.

Although investment portfolio yields fluctuated during these periods, CCP maintained a comparable level of profitability from investment spreads by adjusting credited interest rates on annuities and financial products to permit the net spread percentage to remain relatively constant.

Net realized gains (losses) often fluctuate from period to period. The annuity operations sold \$1.7 billion of fixed maturity securities in 1995, \$1.2 billion in 1994 and \$2.1 billion in 1993. Net realized gains in 1995 included \$6.1 million of investment writedowns taken as a result of conditions which caused the Company to conclude that declines in fair value of certain securities were other than temporary.

The effect of net realized gains (losses) on the amortization of cost of policies purchased and the cost of policies produced is discussed above under BLH. Also see amortization related to net realized gains (losses) below.

Insurance policy benefits and change in future policy benefits relate solely to policies with mortality or morbidity features. The decrease in these amounts correspond with the decrease in the in-force block of such policies.

Interest expense on annuities and financial products increased 10 percent in 1995 over 1994 primarily due to: (i) an increase in the annuity business in force (1995 insurance liabilities increased by \$88.7 million, or 2.1 percent, over 1994); and (ii) fluctuations in charges to the account related to investment income from separate account assets as described above under net investment income. Such amount decreased 14 percent in 1994 compared to 1993 primarily due to: (i) lower crediting rates; and (ii) fluctuations in charges to the account related to investment income for separate accounts assets. At December 31, 1995, 1994 and 1993, the weighted average crediting rate for the Company's annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.5 percent, 5.7 percent and 6.0 percent, respectively.

Interest expense on notes payable increased in 1995 as a result of a higher average notes payable balance which were subject to higher interest rates in 1995. The decrease in 1994 resulted from lower interest rates on a lower average notes payable balance. The average principal balance of notes payable during 1995, 1994 and 1993 was \$178 million, \$143 million and \$210 million, respectively.

CCP issued \$200 million of 10.5 percent senior notes in December 1994. Proceeds from the notes were used, in part, to repay outstanding debt. Conseco's 1994 earnings included a \$2.1 million extraordinary charge related to such prepayment. After the CCP Merger, these notes became direct obligations of Conseco. The interest expense related to the senior notes is recorded in the "Interest and Other" segment after the CCP Merger date.

Interest expense on investment borrowings in the last three years reflected changes in investment borrowing activities and the higher interest rates paid on such borrowings during 1995.

Amortization related to operations was primarily affected by the changes in the amount of business in force on which acquisition costs are capitalized and amortized.

Amortization related to net realized gains (losses) fluctuated in the last three years as a result of the fluctuations in realized gains and losses discussed above.

Other operating costs and expenses decreased in 1995 as a result of restructurings made under the Company's expense reduction program.

Income tax expense fluctuated in relationship to income before income taxes during the last three years.

Other Life Insurance Operations:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Revenues:			
Insurance policy income.....	\$ 50.4	\$ 58.2	\$ 72.3
Investment activity:			
Net investment income.....	71.3	75.5	110.2
Net trading income (losses).....	(2.4)	(1.1)	13.4
Net realized gains (losses).....	(6.9)	(16.2)	11.5
Total revenues.....	112.4	116.4	207.4
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits.....	62.3	64.8	82.3
Interest expense on annuities and financial products.....	19.8	13.7	38.9
Amortization related to operations	5.0	5.7	7.6
Amortization related to realized gains (losses).....	1.0	(2.1)	11.5
Other operating costs and expenses.....	10.7	10.7	12.0
Income before taxes	14.5	23.5	55.0
Income tax expense	6.2	9.8	20.2
Net income.....	8.3	13.7	34.8
Summarized by component, all net of applicable expenses and taxes:			
Operating earnings	15.0	23.5	27.5
Net trading income (losses)	(1.5)	(.7)	8.6
Net realized gains (losses).....	(5.2)	(9.1)	(1.3)
Net income	8.3	13.7	34.8

Insurance policy income related primarily to premiums from products with mortality and morbidity features. Recent declines have resulted from decreased emphasis on generating new premiums from such products.

Net investment income declined in 1995 as the result of a decrease in invested assets on this segment's closed block of business, as well as decreased yields earned on such assets. The decline in 1994 was primarily a result of the recapture of a block of business by WNC from Conesco's other life insurance subsidiaries on March 31, 1993, which resulted in a decrease of \$1.3 billion in insurance liabilities and invested assets. In addition, the redemption of fixed maturity investments prior to their scheduled maturity date resulted in additional investment income (losses) of approximately \$(.1) million in 1995, \$.1 million in 1994 and \$3.7 million in 1993.

Net trading income and losses often fluctuate from year to year based on market conditions for trading activities.

Net realized gains and losses often fluctuate from year to year. The other life insurance subsidiaries sold fixed maturity securities of \$.2 billion in 1995, \$.2 billion in 1994 and \$.6 billion in 1993. The effect of these sales on the amortization of cost of policies purchased and cost of policies produced is discussed above under BLH. Net realized gains (losses) increased (decreased) amortization of the cost of policies purchased and the cost of policies produced by \$1.0 million in 1995, \$(2.1) million in 1994 and \$11.5 million in 1993.

Insurance policy benefits and change in future policy benefits relate solely to policies with mortality and morbidity features. These benefits have decreased over the last three years due to the decreased emphasis on generating new premiums from such products.

Interest expense on annuities and financial products decreased over the last three years as a result of the reinsurance recapture by WNC. The average rate credited on all insurance liabilities was approximately 7.0 percent at December 31, 1995, 1994 and 1993.

Amortization related to operations decreased in 1995 and 1994 as a result of the previously discussed reinsurance recapture and recent decline in premiums.

Other operating costs and expenses did not change materially over the last three years.

Partnership II Operations:

	As included in Conseco's consolidated financial statements		Prior to Acquisition	
	For the year ended December 31, 1995	For the period from acquisition through December 31, 1994	Nine months ended September 30, 1994	For the year ended December 31, 1993
	-----	-----	-----	-----
(Dollars in millions)				
Revenues:				
Insurance policy income.....	\$ 58.1	\$ 13.6	\$ 40.2	\$ 50.0
Investment activity:				
Net investment income.....	415.2	92.7	250.8	304.8
Net trading gains.....	1.5	-	-	-
Net realized gains (losses).....	147.8	.5	(16.8)	18.9
Total revenues	628.9	111.4	275.7	379.2
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits.....	33.1	9.4	26.1	31.7
Interest expense on annuities and financial products.....	258.8	61.3	158.8	195.9
Interest expense on notes payable.....	33.7	8.7	6.7	6.1
Interest expense on short-term investment borrowings.....	7.7	-	2.8	-
Amortization related to operations	43.2	9.1	29.7	31.7
Amortization related to realized gains.....	83.4	-	2.8	9.8
Acquisition and merger expenses.....	-	-	7.2	-
Other operating costs and expenses.....	31.1	8.0	25.8	35.5
Income before taxes and minority interest.....	137.9	12.4	18.6	68.5
Income tax expense.....	55.1	5.3	6.7	22.4
Income before minority interest.....	82.8	7.1	11.9	46.1
Minority interest.....	60.0	5.6	6.7	8.8
Extraordinary charge.....	.7	-	-	-
Net income.....	22.1	1.5	5.2	37.3
Summarized by component, all net of applicable expenses, taxes and minority interest:				
Operating earnings.....	12.4	1.5	17.9	31.4
Net trading gains.....	.2	-	-	-
Net realized gains (losses).....	10.2	-	(12.7)	5.9
Extraordinary charge	(.7)	-	-	-
Net income.....	22.1	1.5	5.2	37.3

General. Conseco's earnings reflect its ownership interest in AGP from September 29, 1994, the date AGP was acquired by Partnership II. Immediately after the Acquisition, Conseco, through its direct investment and through its equity interests in the investments made by BLH, CCP and WNC, had approximately a 27 percent ownership interest in AGP. At December 31, 1994, Conseco's ownership interest in AGP decreased to 25 percent as a result of: (i) the sale of Conseco's 40 percent equity interest in WNC on December 23, 1994; and (ii) the sale by a subsidiary of CCP of a portion of its investment in AGP; partially offset by (iii) Conseco's increased ownership percentage in BLH and CCP due to stock repurchases made by BLH and CCP. At December 31, 1995, Conseco's ownership in AGP increased to 36 percent as a result of: (i) Conseco's increased ownership percentage in BLH due to common stock purchases by Conseco and BLH; (ii) Conseco's increased ownership percentage in CCP as a result of the CCP Merger; and (iii) purchases of AGP common stock as a result of AGP's issuance of common stock in a private placement transaction. While all activities of AGP are required to be included in Conseco's financial statements on a consolidated basis for all periods after September 29, 1994, 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. To enhance comparability, the amounts for the year ended December 31, 1993, and for the nine months ended September 29, 1994, (which were prior to the Acquisition) are presented separately.

Insurance policy income, which consists of premiums received on traditional life insurance products and policy fund and surrender charges assessed against investment type products, increased 8 percent in 1995 and 1994, primarily because increased annuity policy withdrawals resulted in higher surrender charges. Surrender charges assessed against annuity withdrawals were \$15.4 million, \$10.2 million and \$6.2 million in 1995, the 1994 periods and 1993, respectively, while annuity policy withdrawals were \$750.4 million, \$532.8 million and \$277.9 million for the same periods, respectively. Surrender charges as a percentage of annuity policy withdrawals declined in 1995 and the 1994 periods as a result of increased withdrawals of a certain policy form whose surrender charge expired in 1995 and 1994 upon such policies reaching their sixth anniversary. In addition, AGP has experienced increases in withdrawals due to: (i) the increased size of AGP'S annuity portfolio; and (ii) competition from other investment products in the second half of 1994, which caused some policyholders to surrender policies and incur a surrender charge to invest funds in higher yielding alternative investments.

Net investment income increased 21 percent in 1995 and 13 percent in the 1994 periods. Average invested assets (amortized cost basis) increased 7 percent to \$4.7 billion in 1995 compared to \$4.4 billion in the 1994 periods. The percentage increase in net investment income was greater than the percentage increase in average invested assets because the yield earned on average invested assets increased to 8.8 percent in 1995 from 7.9 percent in 1994. The increase in yield primarily resulted from the application of purchase accounting on the Acquisition date, as discussed above. Average invested assets (amortized cost basis) increased 19 percent, to \$4.4 billion in 1994 from \$3.7 billion in 1993. The percentage increase in net investment income was less than the percentage increase in average invested assets because the yield earned on average invested assets decreased to 7.9 percent in the 1994 periods from 8.3 percent in 1993. The decrease in yield resulted from the cash flows received during 1994 and 1993 being invested in lower yielding securities due to the general decline in interest rates during 1993, partially offset by the increase in yields during the fourth quarter of 1994 because of the application of purchase accounting. Redemption of fixed maturity investments prior to their regularly scheduled maturity dates resulted in additional investment income of approximately \$5.9 million in 1993 and insignificant income in both 1995 and 1994.

Net realized gains (losses) and net trading income (losses) often fluctuate from period to period. AGP sold approximately \$2.8 billion of investments (principally fixed maturities) in 1995, \$1.1 billion in the 1994 periods and \$2.2 billion in 1993. Such sales resulted in net realized gains of \$154.9 million and trading income of \$1.5 million in 1995, net realized gains of \$6.2 million in the 1994 periods and net realized gains of \$19.5 million in 1993. Net realized gains from sales of investments in the 1994 periods were offset by a loss on certain interest rate swap contracts that no longer effectively hedged interest rate risks in the second quarter of 1994 and were therefore recorded at fair value, resulting in a net realized loss of \$21.3 million. Substantially all of AGP's interest rate swap contracts were terminated after the Acquisition with no additional loss. In addition, during 1995 and the 1994 periods, AGP recorded realized losses on the writedown of investments totaling \$7.1 million and \$1.2 million, respectively, as a result of changes in conditions which caused AGP to conclude that a decline in fair value of the investments was other than temporary. In 1993, AGP's net realized gains were net of a \$.6 million increase to its mortgage loan valuation reserve. Net realized gains increased the amortization of the cost of policies purchased and the cost of policies produced by \$83.4 million in 1995, \$2.8 million in the 1994 periods and \$9.8 million in 1993.

The increased level of investment activity in 1995 was the result of more active investment portfolio management since the Acquisition and planned changes in the fixed maturity investment portfolio to reduce the portfolio's duration and exposure to more volatile CMO investments. The declining interest rate environment since the Acquisition date, which increased the market value of fixed maturity investments, contributed to AGP's ability to realize gains on investment sales in 1995.

The effect of net realized gains (losses) on the amortization of cost of policies purchased and the cost of policies produced is discussed above under BLH.

Interest expense on annuities and financial products increased 18 percent in 1995 over the 1994 periods primarily due to: (i) a larger block of annuity business in force in 1995; and (ii) the expensing of the first year interest rate bonuses of approximately \$5.9 million in 1995 on policies issued prior to the Acquisition date as a result of the application of purchase accounting on the Acquisition date. Prior to the Acquisition date, such first year interest rate bonuses (related to policies issued prior to the Acquisition date) were capitalized as a cost of policies produced. Interest expense on annuities and financial products increased 12 percent, to \$220.1 million in the 1994 periods from \$195.9 million in 1993, primarily due to a larger block of annuity business in force in 1994, higher crediting rates, and in the fourth quarter of 1994, the expensing of first year interest rate bonuses on policies issued prior to the Acquisition date on which interest had previously been capitalized as a cost of policies produced. At December 31, 1995, 1994 and 1993, the weighted average crediting rate for the Company's annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.3 percent.

Interest expense on notes payable increased in 1995 and the 1994 periods as a result of the full year effect in 1995 of interest on debt incurred in 1994 to finance the Acquisition, partially offset by reductions in interest expense resulting from: (i) the conversion and retirement of \$9.2 million principal amount of the Convertible Debentures during 1995 and \$44.8 million in the 1994 periods; and (ii) the repayment of subsidiary bank debt that had been outstanding prior to the Acquisition.

Interest expense on investment borrowings increased to \$7.7 million in 1995 from \$2.8 million in the 1994 periods as a result of increased investment borrowing activity and higher interest rates paid on such borrowings during 1995. There was no investment borrowing activity in 1993.

Amortization related to operations increased 11 percent in 1995 over the 1994 periods and 22 percent in the 1994 periods compared to 1993. Such increase reflects a larger asset balance subject to amortization as a result of the Acquisition and the increase in in-force business.

Extraordinary charge incurred in 1995 related to debt issuance costs that were written off when the former senior loan was paid off with the proceeds of new bank financing, resulting in a net extraordinary charge of \$4.0 million. Conseco's share of this charge was \$.7 million.

Acquisition and merger expenses incurred by AGP include, among other items, compensation expense recognized upon the cash redemption of certain unexercised stock options and stock appreciation rights upon consummation of the Acquisition.

Minority interest for periods prior to September 30, 1994, represents dividends on preferred stock of a subsidiary of AGP. After that date, minority interest includes such dividends and the portion of earnings applicable to other owners of AGP.

WNC:

	For the year ended December 31, 1994	As included in Conseco's consolidated financial statements for the year ended December 31, 1993
	Included in Conseco's accounts	Total WNC
	---	---
	(Dollars in millions)	
Revenues:		
Insurance policy income.....	\$ -	\$ 27.4
Investment activity:		
Net investment income.....	-	637.5
Net trading income.....	-	3.7
Net realized gains (losses).....	-	(52.9)
Equity in earnings of WNC.....	40.2	-
Total revenues.....	40.2	615.7
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits.....	-	119.2
Interest expense on annuities and financial products.....	-	344.2
Interest expense on notes payable.....	-	9.6
Interest expense on short-term investment borrowings.....	-	7.3
Amortization related to operations	-	20.1
Amortization and change in future policy benefits related to realized gains (losses).....	-	(16.8)
Other operating costs and expenses.....	-	18.0
Income before taxes.....	40.2	114.1
Income tax expense.....	1.6	40.8
Net income.....	38.6	73.3
Summarized by component, all net of applicable expenses and taxes:		
Operating earnings.....	43.1	94.2
Net trading income.....	2.6	2.4
Net realized gains (losses).....	(7.1)	(23.3)
Net income	38.6	73.3
		130.0

Prior to the completion of its IPO, WNC was a wholly owned subsidiary of Conseco. Conseco sold 60 percent of WNC in the IPO. Conseco sold its remaining 40 percent equity interest in WNC on December 23, 1994. Amounts included in Conseco's accounts for the year ended December 31, 1994, therefore include: (i) all of WNC's earnings from January 1 through February 15, 1994, the date the IPO was completed; and (ii) 40 percent of WNC's earnings from February 15 through December 23, 1994.

WNC's operating earnings during the above periods were affected by the growth in invested assets from annuity sales, interest income, and the recapture on March 31, 1993, of a \$1.3 billion block of business previously reinsured with subsidiaries of Conseco, offset in part by fluctuations in prepayment income included in net investment income and interest expense on notes payable. WNC's net investment income included prepayment income of \$3.1 million in 1994 and \$18.0 million in 1993. WNC's net income was affected by these factors, and also changes in realized gains (losses) and trading income.

Fee-Based Operations:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Revenue:			
Investment management.....	\$ 44.8	\$ 39.9	\$34.1
Commissions.....	15.8	18.8	9.4
Administrative services, net of directly related expenses.....	8.1	7.4	5.5
Financing services for Partnership II.....	.5	4.9	-
Total revenue.....	69.2	71.0	49.0
Less intercompany eliminations.....	(35.3)	(13.0)	(22.5)
Revenues reported.....	33.9	58.0	26.5
 Net income attributable to:			
Investment management.....	18.7	18.6	14.7
Commissions.....	(4.2)	(.8)	(4.0)
Administrative services.....	5.4	4.8	3.6
Financing services for Partnership II.....	.2	2.5	-
Net income.....	20.1	25.1	14.3

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 financing services provided to Partnership II. Fees earned from services provided to consolidated entities are eliminated. Such eliminations increased during 1995 as a result of the consolidation of the accounts of CCP effective January 1, 1996, and a full year of revenues from AGP in 1995, compared to only one quarter of such revenues in 1994.

The growth in investment management revenues in 1995 was the result of fee-producing activities provided to AGP, partially offset by a reduction in the rates charged to WNC. Commission revenues include gains of \$2.5 million in 1995 and \$4.0 million in 1994 related to the buyouts of marketing agreements by banks. Commission revenues decreased in 1995 as compared to 1994 primarily because of the decrease in such gains and the decrease in commissions generated from such marketing agreements before the sales. The increase in commission revenues in 1994 compared to 1993 was primarily due to the acquisition of Bankmark, an insurance marketing company which helps financial institutions provide insurance and investment products to their customers.

Restructuring Activities:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Non-recurring expenses of AGP.....	\$ (5.4)	\$ -	\$ -
Reduction of tax accrual.....	74.9	-	-
Incentive earnings allocation	-	-	36.6
Gain on sale of stock	20.6	80.8	101.5
Expenses incurred in conjunction with terminated merger.....	-	35.8	-
Income tax expense.....	5.2	21.8	54.8
Minority interest.....	2.2	-	-
Net income.....	87.1	23.2	83.3

Restructuring income was recorded: (a) in 1993 for: (i) incentive earnings allocations from Partnership I, based on the returns resulting from the value of the BLH shares distributed to the partners; and (ii) from the Company's share of the gain realized from the public sale of shares of BLH; (b) in 1994, from the gain realized from the sale of WNC, net of expenses incurred in conjunction with a terminated merger; and (c) in 1995 for: (i) the release of deferred income tax liabilities that were no longer required as a result of the CCP Merger and the purchase of shares of BLH common stock; and (ii) the gain which resulted from the sale of Conoco's investment in Eagle Credit (a finance subsidiary of Harley-Davidson).

Interest and Other:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Net investment income.....	\$14.8	\$ 4.2	\$12.4
Interest expense on notes payable.....	50.1	27.8	30.6
Other operating costs and expenses.....	27.7	28.7	35.9
Income tax benefit.....	26.1	18.7	17.6
Expenses before extraordinary charge.....	43.4	35.6	34.8
Extraordinary charge on extinguishment of debt	-	1.9	8.8
Net loss	43.4	37.5	43.6

Interest and other includes financing costs for debt on which Conoco is directly liable and the costs associated with the holding company operations.

Net investment income fluctuates based on the amount of average invested assets held by this segment during the periods presented. Additionally in 1995, investment income was received on certain fixed maturity investments on which no investment income was accrued in prior periods because they were in default.

Interest expense on notes payable increased to \$50.1 million in 1995 from \$27.8 million in 1994 as a result of: (i) increases in borrowings under bank credit facilities primarily used to finance the CCP Merger and the purchase of additional shares of BLH; and (ii) interest expense on the \$200 million 10.5 percent senior notes issued by CCP for periods after August 31, 1995, the CCP Merger date (such senior notes became direct obligations of Conoco at the CCP Merger date). These increases were partially offset by the repayment of: (i) a \$200 million note in February 1994; and (ii) notes payable with book values totaling \$19.2 million in March 1994. The Company prepaid the aforementioned notes in 1994 with the proceeds from the sale of shares of WNC. The prepayment resulted in an extraordinary charge in the first quarter of 1994 of \$1.9 million (net of a \$1.0 million tax benefit). The decrease in the account in 1994 from 1993 was primarily the result of the aforementioned repayments in 1994.

Other operating costs and expenses fluctuated over the last three years principally as the result of compensation expense based on the Company's earnings.

SALES

In accordance with generally accepted accounting principles, insurance policy income shown in Conseco's consolidated statement of operations consists of premiums received for policies which have life contingencies or morbidity features. 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 these products are recognized over time in the form of investment income and surrender or other charges.

Total premium collections by the companies in which Conseco has ownership interests were as follows:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Senior market operations.....	\$1,513.8	\$1,534.5	\$1,464.7
Annuity operations.....	709.8	522.1	451.0
Other life insurance operations.....	80.0	83.0	142.2
Partnership II operations.....	825.6	284.4	-
 Total while managed by Conseco.....	 3,129.2	 2,424.0	 2,057.9
 Premium collections by Partnership II operations prior to purchase by Conseco.....	 -	 844.7	 1,064.9
 Total	 \$3,129.2	 \$3,268.7	 \$3,122.8
	=====	=====	=====

Premiums collected by senior market operations in 1995 were \$1,513.8 million, of which \$272.8 million were recorded as deposits to policy liability accounts. This compares with \$1,534.5 million collected and \$316.3 million recorded as deposits in 1994; and \$1,464.7 million collected and \$263.7 million recorded as deposits in 1993.

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Individual health:			
Medicare supplement.....	\$ 597.0	\$ 591.8	\$ 565.5
Long-term care	158.8	131.9	114.9
Other	93.7	116.5	142.4
 Total individual health.....	 849.5	 840.2	 822.8
 Annuities.....	 261.4	 291.6	 239.1
Individual life and other.....	96.1	94.1	93.1
Group	306.8	308.6	309.7
 Total.....	 \$1,513.8	 \$1,534.5	 \$1,464.7
	=====	=====	=====

Medicare supplement policies accounted for approximately 39 percent of BLH's total collected premiums over the last three years. The rate of growth in premiums from Medicare supplement policies decreased in 1995, due to the competitive environment, changes in the commission structure to improve the profitability of this product, and an increased focus on sales of other products. The number of new Medicare supplement policies sold in 1995 decreased 30 percent to 62,800 from 1994, following a 3 percent decrease in 1994 from 1993. Annualized new business premiums from such new sales totaled \$56.3 million in 1995 compared with \$76.3 million in 1994 and \$80.5 million in 1993.

Long-term care premiums accounted for 10 percent, 8.6 percent and 7.8 percent of total collected premiums in 1995, 1994 and 1993, respectively. The continued growth in this product line reflects new product introductions, the competitiveness of BLH's existing products, the success of agent cross-selling activities, increased consumer awareness and demand and improved persistency on a larger base of renewal premiums. Annualized new business premiums were \$40.9 million, \$27.9 million and \$21.6 million in 1995, 1994 and 1993, respectively.

Annuity premiums collected decreased by 10 percent in 1995 following a 22 percent increase in 1994. The decrease in 1995 reflects increased competition from alternative investment products.

Collected premiums for other individual health products decreased by 20 percent in 1995 following an 18 percent decrease in 1994. This decrease, which was anticipated, follows steps taken previously to improve the profitability of the comprehensive major medical product included in this category.

Premiums collected by the annuity operations in 1995 were \$709.8 million, of which \$641.4 million were recorded as deposits to insurance liability accounts. This compared to \$522.1 million collected and \$450.7 million recorded as deposits to insurance liability accounts in 1994 and \$451.0 million collected and \$368.5 million recorded as deposits to insurance liability accounts in 1993. The increase in total premiums collected was the result of increased sales of single premium deferred annuities by: (i) professional independent producers (\$352.7 million in 1995 versus \$201.3 million in 1994 and \$48.8 million in 1993), and (ii) educator market specialists (\$48.6 million in 1995, \$20.5 million in 1994 and \$3.8 million in 1993). Total premiums collected through professional independent producers were \$413.6 million in 1995, a 58 percent increase over 1994, and comprised 58 percent of collected premiums in 1995. Total premiums collected through educator market specialists were \$293.7 million in 1995, a 16 percent increase compared to 1994, and comprised 41 percent of collected premiums in 1995.

Premiums collected by other life insurance operations were \$80.0 million, \$83.0 million and \$142.2 million in 1995, 1994 and 1993, respectively. These subsidiaries are no longer writing new business, except that during 1995, 1994 and 1993, they collected \$6.6 million, \$5.6 million and \$61.8 million, respectively, of premiums from guaranteed investment contracts and deposit funds for qualified retirement plans maintained by the Company.

Premiums collected in 1993 include \$563.0 million of premiums collected by WNC. As previously discussed, Conseco's equity interest in WNC was sold in 1994.

Premiums collected by Partnership II operations were \$825.6 million in 1995 and \$284.4 million for the three months ended December 31, 1994. AGP's products include single premium deferred annuities, flexible premium deferred annuities, interest sensitive life insurance products (including universal life insurance), traditional life insurance products and accident and health insurance products. Of the \$825.6 million in premiums collected in 1995, 91 percent was from sales of annuities (primarily SPDAs and FPDAs), 6 percent was from life insurance products, 3 percent from single premium immediate annuities and less than 1 percent from accident and health insurance products.

For the full year 1994 and 1993, premiums collected were \$1,129.1 million and \$1,064.9 million, respectively. Sales of annuities declined in 1995 as the result of several factors. The demand for annuity products offered by all insurance companies decreased during 1995. Such decrease is believed to be attributable to increased competition from products such as mutual funds, traditional bank investments and other investment and retirement funding alternatives. In addition, AGP has generally maintained a less competitive crediting rate position on new business since the Acquisition in order to manage its asset growth relative to its capital position.

INVESTMENTS

The Company's investment strategy is to: (i) maintain a predominately investment grade fixed income portfolio; (ii) provide adequate liquidity to meet the cash flow requirements of policyholders and other obligations; and (iii) maximize current income total investment return through active investment management. Consistent with this strategy, investments in fixed maturity securities, mortgage loans, credit-tenant loans, policy loans and short-term investments comprised 98 percent of the Company's investment portfolio at December 31, 1995. The remainder of the invested assets were in equity securities and other investments. At December 31, 1995, the Company had invested assets of approximately \$14.4 billion.

The Company's insurance subsidiaries are regulated by insurance statutes and regulations as to the type of investments that they are permitted to make and the amount of funds that may be used for any one type of investment. In light of these statutes and regulations and the Company's business and investment strategy, the Company generally seeks to invest in United States government and government agency securities and corporate securities rated investment grade by established nationally recognized rating organizations or, if not rated, in securities of comparable investment quality.

The following table summarizes investment yields earned over the past three years, including AGP from the Acquisition date, WNC until the date of its deconsolidation (effective January 1, 1994), and CCP upon its consolidation (effective January 1, 1995).

	1995	1994	1993
	---	---	---
	(Dollars in millions)		
Weighted average invested assets (excluding investment in unconsolidated subsidiaries):			
As reported	\$13,769.3	\$4,707.2	\$10,977.5
Excluding unrealized appreciation (depreciation) (a).....	13,690.6	4,899.0	10,609.8
Net investment income.....	1,142.6	385.7	896.2
Yields earned:			
As reported.....	8.3%	8.2%	8.2%
Excluding unrealized appreciation (depreciation) (a)	8.3%	7.9%	8.4%
(a) Excludes the effect of reporting fixed maturities at fair value as described in note 1 to the consolidated financial statements.			

Although investment income is a significant component of total revenues, the profitability of Conseco's annuity business is determined primarily by spreads between interest rates earned and rates credited on annuity contracts. At December 31, 1995, the average yield, computed on the cost basis of the Company's investment portfolio, was 8.0 percent and the average interest rate credited on the Company's total liability portfolio was 5.3 percent, excluding interest bonuses guaranteed for the first year of the contract.

Actively Managed Fixed Maturities

Conseco's actively managed fixed maturity portfolio at December 31, 1995, was comprised primarily of debt securities of the United States government, public utilities and other corporations and mortgage-backed securities. Mortgage-backed securities included collateralized mortgage obligations ("CMOs") and mortgage-backed pass-through securities.

At December 31, 1995, the Company's fixed maturity portfolio had net unrealized gains of \$608.2 million (equal to approximately 4.7 percent of the portfolio's carrying value), consisting of \$663.3 million of unrealized gains and \$55.1 million of unrealized losses. Estimated fair values for fixed maturity investments were determined based on estimates from nationally recognized pricing services (88 percent of the portfolio), broker-dealer market makers (11 percent of the portfolio) and internally developed methods.

As discussed in the notes to the consolidated financial statements, when Conseco adjusts carrying values of actively managed fixed maturity securities for changes in fair value, the Company also adjusts the cost of policies purchased, cost of policies produced and insurance liabilities. These adjustments are made in order to reflect the change in amortization that would be needed if those fixed maturity investments had actually been sold at their fair values and the proceeds reinvested at current interest rates.

At December 31, 1995, approximately 4.5 percent of Conseco's invested assets and 5.0 percent of fixed maturity investments were rated below investment grade by nationally recognized statistical rating organizations (or, if not rated by such firms, with ratings below Class 2 assigned by the National Association of Insurance Commissioners). Conseco plans to maintain approximately the present level of below investment grade fixed maturities. These securities generally have greater risks than other corporate debt investments, including risk of loss upon default by the borrower, and are often unsecured and subordinated to other creditors. Below investment grade issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. The Company is aware of these risks and monitors its below investment grade securities closely. At December 31, 1995, the Company's below investment grade fixed maturity investments had an amortized cost of \$646.8 million and an estimated fair value of \$647.2 million.

Conseco periodically evaluates the creditworthiness of each issuer whose securities are held in the portfolio. Special attention is paid to those securities whose market values have declined materially for reasons other than changes in interest rates or other general market conditions. The Company considers available information to evaluate the realizable value of the investment, the specific condition of the issuer, and the issuer's ability to comply with the material terms of the security. Information reviewed may include the recent operational results and financial position of the issuer, information about its industry, recent press releases and other information. Conseco employs a staff of experienced securities analysts in a variety of specialty areas. Among other responsibilities, this staff compiles and reviews such evidence. If evidence does not exist to support a realizable value equal to or greater than the carrying value of the investment and such decline in market value is determined to be other than temporary, Conseco reduces the

carrying amount to its net realizable value, which becomes the new cost basis; the amount of the reduction is reported as a realized loss. Conseco recognizes any recovery of such reductions in the cost basis of an investment only upon the sale, repayment or other disposition of the investment. Conseco recorded writedowns of investments of \$21.9 million in 1995 as a result of changes in the financial condition of an issuer and changes in the value of the underlying collateral which caused the Company to conclude that the decline in fair value of such investments was other than temporary. The Company's investment portfolio is subject to the risks of further declines in realizable value. The Company, however, attempts to mitigate this risk through the diversification and active management of its portfolio.

As of December 31, 1995, the amortized cost and estimated fair value of fixed maturity investments in substantive default (i.e., in default due to nonpayment of interest or principal) were \$3.3 million and \$3.2 million, respectively. The Company had no fixed maturity investment in technical (but not substantive) default (i.e., in default, but not as to the payment of interest or principal). There were no other fixed maturity investments about which management had serious doubts as to the ability of the issuer to comply on a timely basis with the material terms of the instruments.

The Company's policy is to discontinue the accrual of interest and eliminate all previous interest accruals for defaulted securities, if the Company's assessment is that such amounts will not be ultimately realized in full. Investment income forgone due to defaulted securities was \$1.6 million, \$3.9 million and \$2.7 million for the years ended December 31, 1995, 1994 and 1993, respectively. During 1995, the Company recovered approximately \$6.0 million of investment income which was not recognized in prior periods due to defaulted securities.

At December 31, 1995, fixed maturity investments included \$4.0 billion of mortgage-backed securities (31 percent of the fixed maturity security portfolio). CMOs are securities backed by pools of pass-through securities and/or mortgages that are segregated into sections or "tranches" which provide for sequential retirement of principal rather than the pro rata share of principal return which occurs through regular monthly principal payments on pass-through securities.

The yield characteristics of mortgage-backed securities differ from those of traditional fixed income securities. Interest and principal payments occur more frequently, often monthly, and mortgage-backed securities are subject to risks associated with variable prepayments. Prepayment rates are influenced by a number of factors which cannot be predicted with certainty, including the relative sensitivity of the underlying mortgages backing the assets to changes in interest rates; a variety of economic, geographic and other factors; and the repayment priority of the securities in the overall securitization structures.

In general, prepayments on the underlying mortgage loans, and the securities backed by these loans, increase when the level of prevailing interest rates declines significantly below the interest rates on such loans. Mortgage-backed securities purchased at a discount to par will experience an increase in yield when the underlying mortgages prepay faster than expected. Those securities purchased at a premium that prepay faster than expected will incur a reduction in yield. When declines in interest rates occur, the proceeds from the prepayment of mortgage-backed securities are likely to be reinvested at lower rates than the Company was earning on the prepaid securities. As the level of prevailing interest rates increases, prepayments on mortgage-backed securities decrease as fewer underlying mortgages are refinanced. When this occurs, the average maturity and duration of the mortgage-backed securities increase, which decreases the yield on mortgage-backed securities purchased at a discount because the discount is realized as income at a slower rate and increases the yield on those purchased at a premium as a result of a decrease in annual amortization of the premium.

The following table sets forth the par value, amortized cost and estimated fair value of mortgage-backed securities including CMOs at December 31, 1995, summarized by interest rates on the underlying collateral at December 31, 1995:

	Par value	Amortized cost	Estimated fair value
	-----	-----	-----
(Dollars in millions)			
Below 7 percent	\$1,426.8	\$1,351.3	\$1,391.2
7 percent - 8 percent.....	1,922.1	1,837.3	1,924.2
8 percent - 9 percent.....	471.9	452.2	478.9
9 percent and above.....	222.6	219.6	224.8
Total mortgage-backed securities.....	\$4,043.4	\$3,860.4	\$4,019.1
	=====	=====	=====

The amortized cost and estimated fair value of mortgage-backed securities including CMOs at December 31, 1995, summarized by type of security were as follows:

Type	Estimated fair value		
	Amortized cost	Amount	% of fixed maturities
			(Dollars in millions)
Pass-throughs and sequential and targeted amortization classes.....	\$2,429.0	\$2,513.0	19%
Support classes.....	65.6	76.6	1
Accrual (Z tranche) bonds.....	40.8	46.6	-
Planned amortization classes and accretion directed bonds.....	1,107.3	1,148.6	9
Subordinated classes.....	217.7	234.3	2
	-----	-----	--
	\$3,860.4	\$4,019.1	31%
	=====	=====	==

Pass-throughs and sequential and targeted amortization classes have similar prepayment variability. Pass-throughs have historically provided the best liquidity in the mortgage-backed securities market and provide the best price/performance ratio in a highly volatile interest rate environment. This type of security is also frequently used as collateral in the dollar-roll market. Sequential classes pay in a strict sequence; all principal payments received by the CMO are paid to the sequential tranches in order of priority. Targeted amortization classes provide a modest amount of prepayment protection when prepayments on the underlying collateral increase from those assumed at pricing. Thus, they offer slightly better call protection than sequential classes and pass-throughs.

Support classes absorb the prepayment risk from which planned amortization and targeted amortization classes are protected. As such, they are usually extremely sensitive to prepayments. Most of the Company's support classes are higher average life instruments that generally will not lengthen if interest rates rise further and will have a tendency to shorten if interest rates decline. However, since these bonds have costs below par values, higher prepayments will have the effect of increasing yields.

Accrual bonds are CMOs structured such that the payment of coupon interest is deferred until principal payments begin. On each accrual date, the principal balance is increased by the amount of the interest (based upon the stated coupon rate) that otherwise would have been payable. As such, these securities act much the same as zero coupon bonds until cash payments begin. Cash payments typically do not commence until earlier classes in the CMO structure have been retired, which can be significantly influenced by the prepayment experience of the underlying mortgage loan collateral in the CMO structure. Because of the zero coupon element of these securities and the potential uncertainty as to the timing of cash payments, their market values and yields are more sensitive to changing interest rates than other CMOs, pass-through securities and coupon bonds.

Planned amortization classes and accretion directed bonds are some of the most stable and liquid instruments in the mortgage-backed securities market. Planned amortization class bonds adhere to a fixed schedule of principal payments as long as the underlying mortgage collateral experiences prepayments within a certain range. Changes in prepayment rates are first absorbed by support classes. This insulates the planned amortization classes from the consequences of both faster prepayments (average life shortening) and slower prepayments (average life extension).

Subordinated CMO classes have both prepayment and credit risk. The subordinated classes are used to lend credit enhancement to the senior securities and as such, rating agencies require that this support not deteriorate due to the prepayment of the subordinated securities. The credit risk of subordinated classes is derived from the negative leverage of owning a small percentage of the underlying mortgage loan collateral while bearing a majority of the risk of loss due to homeowner defaults.

All mortgage-backed securities are subject to risks associated with variable prepayments. As a result, these securities may have a different actual maturity than planned at the time of purchase. When securities having a cost greater than par are backed by mortgages that prepay faster than expected, Conseco records a charge to investment income. When securities having a cost less than par prepay faster than expected, Conseco records investment income.

The degree to which a mortgage-backed security is susceptible to income fluctuations is influenced by: (i) the difference between its cost and par; (ii) the relative sensitivity of the underlying mortgages backing the security to prepayment in a changing interest rate environment; and (iii) the repayment priority of the security in the overall securitization structure. The Company limits the extent of these risks by : (i) purchasing securities which are backed by collateral with lower prepayment sensitivity (such as mortgages priced at a discount to par value and mortgages that are extremely seasoned); (ii) avoiding 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 30 percent of the Company's mortgage-backed securities at December 31, 1995. The call-adjusted modified duration of the Company's mortgage-backed securities at December 31, 1995, was 6.0 years.

If the Company determines that it will dispose of an investment held in the actively managed fixed maturity category, Conoco will either sell the security or transfer it to the trading account at its fair value; the gain or loss is recognized immediately. There were no such transfers in 1995. During 1995, the Company sold actively managed fixed maturity securities with a \$5.5 billion book value, resulting in \$236.7 million of investment gains (before related expenses, amortization and taxes). 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 gains and losses affects the timing of the amortization of the cost of policies produced and the cost of policies purchased, as explained in note 11 to the consolidated financial statements.

During 1995, fixed maturity investments with par values totaling \$170 million were redeemed prior to the scheduled maturity date. As a result of such redemptions, Conoco recognized additional income of approximately \$3.8 million which was credited to investment income.

Other Investments

Credit-tenant loans are loans on commercial properties where the lease of the principal tenant is assigned to the lender and the principal tenant, or any guarantor of such tenant's obligations, has a credit rating at the time of origination of the loan of at least BBB- or its equivalent. The underwriting guidelines consider such factors as: (i) the lease term of the property; (ii) the mortgagee's management ability, including business experience, property management capabilities and financial soundness; and (iii) such economic, demographic or other factors that may affect the income generated by the property, or its value. The underwriting guidelines also generally require a loan-to-value ratio of 75 percent or less. Credit-tenant loans are carried at amortized cost and were \$259.1 million at December 31, 1995, or 2 percent of total invested assets. The total estimated fair value of credit-tenant loans was \$258.6 million at December 31, 1995.

At December 31, 1995, the Company held mortgage loan investments with a carrying value of \$339.9 million (or 2.4 percent of total invested assets) and a fair value of \$363.3 million. Substantially all of the mortgage loan investments were commercial loans. Approximately 2 percent of the Company's mortgage loan balance consisted of investments in junior and residual interests of CMOs. Investments in junior and residual interests of CMOs are instruments that entitle the Company to the excess cash flows arising from the difference between: (i) the cash flows required to make principal and interest payments on the related senior interests in the CMOs; and (ii) the actual cash flows received on the mortgage loan assets included in the CMO portfolios. If prepayments vary from projections on the mortgage loan assets included in such CMO portfolios, the total cash flows to the Company from such junior and residual interests could change from projected cash flows, resulting in a gain or loss.

Non-current mortgage loans were not significant at December 31, 1995. The Company had \$2.4 million in realized losses on mortgage loans for the year ended December 31, 1995. At December 31, 1995, the Company had a loan loss reserve of \$5.2 million. Approximately 40 percent, 9 percent and 7 percent of the mortgage loans were on properties located in California, Texas and Indiana, respectively. No other state comprised greater than 6 percent of the mortgage loan balance.

At December 31, 1995, the Company held no trading account securities. Trading account securities are investments that are purchased with the intent to be traded prior to their maturity, or are believed likely to be disposed of in the foreseeable future as a result of market or issuer developments. Effective December 31, 1993, with the Company's adoption of Statement of Financial Accounting Standards No. 115 ("SFAS 115"), trading account securities are carried at estimated fair value, with the changes in fair value reflected in the statement of operations. The net unrealized gain (loss) on trading account securities at December 31, 1995 and 1994, recorded in trading income as a result of adopting SFAS 115, was immaterial.

Short-term investments totaled \$189.9 million, or 1.3 percent of invested assets at December 31, 1995, and consisted primarily of commercial paper and repurchase agreements relating to government securities.

CONSOLIDATED FINANCIAL CONDITION

Changes in the consolidated balance sheet of 1995 compared to 1994

Changes in Conseco's balance sheet of 1995 compared to 1994 principally reflect the growth through operations, consolidation of CCP as the result of the CCP Merger, changes in the fair value of actively managed fixed maturity investments and the capital and financing transactions discussed below.

As a result of the CCP Merger, the accounts of the subsidiaries of CCP are consolidated with Conseco's, effective January 1, 1995. The effect of the consolidation on the accounts of Conseco is summarized in note 1 to the consolidated financial statements.

In accordance with SFAS 115, Conseco records its actively managed fixed maturity investments at estimated fair value. At December 31, 1995, such investments were increased by \$608.2 million as a result of the SFAS 115 adjustment. At December 31, 1994, such investments were decreased by \$373.4 million as a result of the SFAS 115 adjustment.

During 1995, insurance liabilities of approximately \$70 million resulting from assumed reinsurance were recaptured by a nonaffiliated insurance company. Assets approximately equal to the insurance liabilities were transferred in the reinsurance recapture.

As part of its investment strategy, the Company enters into reverse repurchase agreements and dollar-roll transactions (specialized forms of collateralized lending involving mortgage-backed securities) to increase its return on investments and improve liquidity. These transactions are accounted for as short-term collateralized borrowings and are collateralized by pledged securities with fair values approximately equal to the loan value. Conseco had investment borrowings of \$298.1 at December 31, 1995, compared with no investment borrowings at December 31, 1994.

Minority interest increased primarily as a result of : (i) the income attributable to minority interest; (ii) adjustments to minority interest as the result of SFAS 115; and (iii) the sale of common stock by AGP, other than amounts purchased by Conseco and its subsidiaries. Such increases were offset by: (i) Conseco's and BLH's purchase of common stock of BLH; and (ii) Conseco's additional ownership interest in CCP, BLH and AGP as a result of the CCP Merger. Changes in minority interest are further described in note 9 to the consolidated financial statements.

Common stock and additional paid-in capital decreased by \$8.6 million as a result of share repurchases which reduced common stock and additional paid-in capital by \$15.0 million, offset by: (i) .1 million shares of common stock issued pursuant to the Company's stock option plan for net proceeds of \$.7 million and tax benefits of \$.4 million; and (ii) additions to common stock and paid-in capital of \$5.3 million relating to employee benefit plans.

Financial Ratios

	1995					
	As Reported					
	Pro forma(a)		1994	1993	1992	1991
Ratio of earnings to fixed charges:						
As reported.....	1.59X	1.57X	2.26X	2.19X	1.54X	1.32X
Excluding interest on annuities and financial products.....	4.30X	3.80X	4.55X	8.85X	6.24X	3.41X
Ratio of earnings to fixed charges and preferred dividends:						
As reported.....	1.46X	1.50X	1.95X	2.04X	1.50X	1.30X
Excluding interest on annuities and financial products	2.92X	3.06X	3.14X	6.00X	5.09X	2.99X
Ratio of statutory earnings to cash interest (b).....	4.82X	3.79X	5.06X	4.94X	5.75X	2.62X
Ratio of total debt to total capital:						
As reported.....	.41X	.49X	.43X	.34X	.49X	.49X
Excluding unrealized appreciation (depreciation)(c)	.43X	.53X	.39X	.36X	.50X	N/A
Ratio of debt (including debt of CCP guaranteed by Conseco until its retirement in 1993) for which Conseco is directly liable to total capital of Conseco only:						
As reported .....	.32X	.44X	.20X	.27X	.22X	.29X
Excluding unrealized appreciation (depreciation)(c)	.34X	.47X	.18X	.28X	.23X	.29X
Ratio of debt (including debt of CCP guaranteed by Conseco until its retirement in 1993) for which Conseco is directly liable and debt of BLH to total capital of Conseco and BLH:						
As reported.....	.40X	.50X	.34X	.34X	.47X	.29X
Excluding unrealized appreciation (depreciation)(c)	.42X	.52X	.30X	.36X	.48X	.29X
(a) The pro forma ratio of earnings to fixed charges is presented as if the following transactions had occurred on January 1, 1995: (i) the issuance of the PRIDES and use of the proceeds therefrom to reduce notes payable (as described in note 16 to the consolidated financial statements); (ii) the BLH tender offer and related financing (as described in note 16 to the consolidated financial statements); and (iii) the AGP financing transaction completed in the fourth quarter of 1995 (as described in note 8 to the consolidated financial statements).						
The pro forma ratio of debt to total capital is presented as if the following transactions (both of which are described in note 16 to the consolidated financial statements) had occurred on December 31, 1995: (i) the issuance of the PRIDES and use of the proceeds therefrom to reduce notes payable; and (ii) the BLH repurchase of senior subordinated debt pursuant to a tender offer and related financing transactions.						
(b) Statutory earnings represent gain from operations before interest (except interest on annuities and financial products) and income tax of Conseco's wholly owned life insurance companies and Bankers Life as reported for statutory accounting purposes plus income before interest and income tax of all non-life companies. Cash interest includes interest, except interest on annuities and financial products, of Conseco's wholly owned subsidiaries and BLH that is required to be paid in cash.						
(c) Excludes the effect of reporting fixed maturities at fair value which the Company began to do in 1992 as described in note 1 to the consolidated financial statements.						

Liquidity for Insurance Operations

Conseco's insurance operating companies generally receive adequate cash flow from premium collections and investment income to meet their obligations. Insurance policy liabilities are primarily long-term and generally are paid from future cash flows. Most of the insurance company assets, other than policy loans, are invested in bonds and other securities, substantially all of which are readily marketable. Although there is no present need or intent to dispose of such investments, the life companies could liquidate portions of their investments if such a need arose. To increase their return on investments and improve liquidity, the life companies from time to time will lend U.S. Treasury securities in reverse repurchase agreements or lend mortgage-backed securities in dollar-roll transactions.

Of the companies' total insurance liabilities at December 31, 1995, only 20 percent could be surrendered by the policyholder without a penalty. Approximately 65 percent could be surrendered by the policyholder subject to penalty. Payment characteristics of the insurance liabilities at December 31, 1995, were as follows (dollars in millions):

Payments under contracts containing fixed payment dates:	
Due in one year or less.....	\$ 241.1
Due after one year through five years.....	517.0
Due after five years through ten years.....	316.6
Due after ten years.....	755.8

Total gross payments whose payment dates are fixed by contract..	1,830.5
Less amounts representing future interest on such contracts.....	793.2

Insurance liabilities whose payment dates are fixed by contract.	1,037.3
Insurance liabilities whose payment dates are not fixed by contract.....	12,341.1

Total insurance liabilities.....	\$13,378.4
	=====

Of the above insurance liabilities under contracts containing fixed payment dates, approximately 36 percent related to payments that will be made for the lifetime of the contract holder. Expected mortality is considered in determining the amount of this liability. The remaining insurance liabilities with fixed payment dates are payable regardless of the contract holder's survival.

Approximately 13 percent of insurance liabilities were subject to an average interest rate of approximately 7 percent, fixed for the life of the contract. The remaining liabilities generally were subject to interest rates that could be reset at least annually.

The Company believes that it has adequate short-term investments and readily marketable investment grade securities to cover the payments under contracts containing fixed payment dates plus any likely cash needs for all other contracts. The Company's investment portfolio at December 31, 1995, included \$2 billion of short-term investments, \$4.3 billion of U.S. Government/agency and mortgage-backed securities and \$11.5 billion of publicly traded investment grade bonds. The Company believes that such investments could be readily sold at or near carrying value or used to facilitate borrowings under reverse repurchase agreements. At December 31, 1995, the Company's portfolio of bonds, notes and redeemable preferred stocks had an aggregate unrealized gain of \$608.2 million.

Liquidity of BLH

As a holding company whose principal assets are the securities of its insurance subsidiaries, BLH's ability to meet debt service obligations and pay operating expenses and dividends depends primarily on the receipt of sufficient funds from its subsidiaries. Bankers Life Insurance Company of Illinois ("BLI", the parent of Bankers Life) provides liquidity to BLH by paying principal and interest on a surplus debenture and by paying dividends.

BLH provided BLI with funds to acquire Bankers Life. In exchange, BLH received a \$500 million surplus debenture from BLI. The surplus debenture was approved by the Illinois Department of Insurance ("DOI"). During 1995 and 1994, BLI repaid principal of \$30.0 million and \$25.0 million, respectively, plus accrued interest on the surplus debenture. BLI may repay principal and interest on the surplus debenture only when the DOI is satisfied that the financial condition of BLI warrants that action; such approval may not be withheld if BLI submits satisfactory evidence of surplus of at least the amount stipulated in the surplus debenture.

A summary of maturity dates and amounts (dollars in millions) of the surplus debenture is shown below. Interest is payable quarterly generally at 2 percent above the prime rate (10.75 percent at December 31, 1995).

1996.....	\$ 30.0
1997.....	30.0
1998.....	30.0
1999.....	30.0
2000.....	-
Thereafter.....	310.0

Total.....	\$430.0
	=====

BLI's ability to service its obligation under the surplus debenture depends upon its ability to receive dividend and tax sharing due from Bankers Life. Bankers Life may pay dividends up to \$86.0 million without regulatory approval during 1996. Under an intercompany tax sharing agreement, Bankers Life remits tax payments to BLI based upon its tax liabilities calculated on a separate company basis.

At December 31, 1995, BLH's debt service obligations included a \$110.0 million principal amount revolving credit facility due in 1996 and \$180 million principal amount of senior subordinated notes due in 2002. Future annual debt service requirements are discussed in note 8 to the consolidated financial statements. Significant changes occurring after January 1, 1996, in these debt instruments are discussed in note 16 to the consolidated financial statements.

At December 31, 1995, BLH had short-term investments of \$42.8 million. Conseco believes that BLH could generate additional liquidity, if needed in the future, by issuing equity or debt securities, borrowing additional amounts on its revolving credit facility discussed in note 16 to the consolidated financial statements, or by converting existing assets to cash (such as the sale or transfer of existing blocks of insurance through reinsurance arrangements).

In addition to its debt service obligations, BLH uses cash to pay dividends on its common stock and to pay for administrative services provided by Conseco's wholly owned subsidiaries.

Liquidity of AGP

AGP relies on dividends from ALHC and payments under a tax sharing agreement with its subsidiaries to fund its operating expenses, dividends and interest expense. AGP is not expected to pay dividends on its common stock in the near future. Since the Acquisition, AGP's direct obligations for dividends on preferred stock and interest on indebtedness have been substantially reduced as a result of the retirement of certain preferred stock as part of the Acquisition and the conversion of \$54.0 million principal amount of the Convertible Debentures. AGP remains obligated to pay interest on the remaining \$15.0 million principal balance of the Convertible Debentures as long as such amounts remain outstanding. The former senior term loan required the Company to hold funds in escrow to pay the cash merger consideration to the holders of the Convertible Debentures that remained outstanding. The provisions of the Senior Credit Facility (as discussed hereafter) do not require an escrow account to fund the conversion of the remaining Convertible Debentures outstanding. As such, these funds became available for general corporate purposes on the date the Senior Credit Facility was executed.

In the fourth quarter of 1995, AGP: (i) sold 2,142,857 shares of its common stock for \$30.0 million in a private placement transaction; (ii) made a \$30.0 million unscheduled principal payment on the then outstanding senior term loan; (iii) executed a new credit facility to provide for aggregate borrowings of up to \$225.0 million (the "Senior Credit Facility"); and (iv) borrowed \$125 million under the Senior Credit Facility and repaid in full the remaining principal balance under the then outstanding senior term loan. Eighty percent of the common shares sold were purchased by Partnership II and the remaining shares were purchased by other holders of AGP's common stock. The proceeds from the issuance of the shares were used to make a \$30.0 million capital contribution to ALHC to enable ALHC to prepay its prior senior term loan. The general terms and conditions of the Senior Credit Facility are discussed in note 8 of the accompanying consolidated financial statements. AGP believes the Senior Credit Facility provides greater flexibility to ALHC than the prior senior term loan because the Senior Credit Facility: (i) makes available additional working capital by increasing the aggregate maximum borrowings to \$225.0 million; (ii) provides for a revolving credit facility; (iii) has more favorable interest rates; (iv) has less restrictive covenants; and (v) has a more favorable repayment schedule.

AGP is obligated to pay the holders of the Contingent Payment Rights or the holder of the 1988 Series Preferred Stock (depending on the outcome of the Savings Bank Litigation) upon conversion of the 1988 Series Preferred Stock an amount of not less than approximately \$30 million. Funds to make these payments are available under the Company's Senior Credit Facility.

In addition, depending on the outcome of the AGP Litigation as described in note 2 to the consolidated financial statements, dividends may be payable on the 1988 Series Preferred Stock. The 1988 Series Preferred Stock provides for cumulative annual dividends of approximately \$1.1 million. Cumulative dividends in arrears on the 1988 Series Preferred Stock through December 31, 1995, were \$7.0 million, of which \$5.5 million have been accrued.

AGP has \$64.4 million par value 1994 Series Preferred Stock outstanding. Dividends on such preferred stock accrue annually at 13 percent in additional shares through September 2006.

ALHC needs liquidity primarily to service its debt, pay dividends on two series of preferred stock described below, pay dividends to AGP on common stock and pay operating expenses. The primary sources of funds for these payments are:

- (i) dividends on the capital stock of American Life and Casualty; (ii) interest payments on surplus notes from American Life and Casualty; and (iii) payments from American Life and Casualty and Vulcan Life under a tax sharing agreement.

At December 31, 1995, ALHC has \$150.0 million principal indebtedness outstanding under its senior subordinated notes and \$125.0 million principal indebtedness under the Senior Credit Facility (see note 8 to the consolidated financial statements). ALHC's annual interest payments for 1996 will be: (i) approximately \$16.9 million with respect to the senior notes; and (ii) approximately \$9.2 million with respect to the Senior Credit Facility (based on rates in effect and amounts outstanding at December 31, 1995).

Dividends on ALHC's common stock are limited by: (i) the rights of holders of its preferred stock to receive cumulative dividends in full before any dividends may be paid on common stock; and (ii) the covenants of the Senior Credit Facility. Under the most restrictive covenants of the Senior Credit Facility, ALHC is limited to paying dividends of \$3.0 million per year to AGP. In the event that AGP is required to pay unpaid dividends on the 1988 Series Preferred Stock, limitations in the Senior Credit Facility would require AGP (absent a waiver from the lenders) to seek sources of funds other than dividends from ALHC or borrowing. AGP believes it will have sufficient resources to pay such preferred stock dividends. ALHC currently has redeemable preferred stock outstanding, on which aggregate dividends of \$8.7 million are payable annually. The two series of redeemable preferred stock outstanding must be redeemed in 2007 and 2008 at their respective par values of \$69.0 million and \$30.0 million. ALHC holds zero coupon U.S. Treasury securities in escrow which will provide adequate funds for the redemption of the preferred shares on their respective mandatory redemption dates.

Liquidity of Conseco (Parent Company)

The parent company (Conseco, Inc.) uses cash primarily to service its debt, pay dividends on preferred and common stock, meet administrative expenses, pay income taxes and invest in affiliates. The wholly owned subsidiaries and BLH provide liquidity to Conseco by paying dividends, tax sharing payments and fees for services provided. The parent company may also issue debt or equity securities, borrow additional amounts under its Credit Agreement with a group of banks as discussed in note 8 to the consolidated financial statements, or sell all or a portion of its investments in subsidiaries or affiliates. These sources have historically provided adequate cash flow to fund: (i) the needs of the parent company's normal operations; (ii) internal expansion, acquisitions and investment opportunities; and (iii) the retirement of debt and equity.

The following table shows the cash flow activity of the parent company and its wholly owned non-life subsidiaries:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Items relating to operations:			
Dividends and surplus debenture payments.....	\$ 80.6	\$ 19.7	\$ 5.5
Tax sharing payments from subsidiaries.....	2.7	13.7	101.9
Fees from affiliates.....	34.7	45.8	33.7
Fees from unaffiliated companies.....	39.0	30.1	20.4
Parent company costs.....	(64.5)	(67.6)	(62.9)
Interest on debt of Conesco, including direct and indirect obligations.....	(41.6)	(21.2)	(23.7)
Interest on amounts due from Conesco to life subsidiaries.....	(8.8)	(9.3)	(8.6)
Income taxes.....	(7.7)	(4.5)	(91.1)
Other.....	-	17.3	18.0
Total items relating to operations.....	34.4	24.0	(6.8)
Items relating to investing:			
Purchase of investments.....	(70.8)	(51.6)	(76.2)
Sales and maturities of investments.....	125.6	22.9	45.5
Cash held by CCP prior to CCP Merger.....	17.0	-	-
Proceeds from the sale of shares of WNC and related transactions.....	-	811.7	-
Investment in consolidated subsidiaries.....	(552.3)	(17.0)	(450.9)
Redemption of investments in subsidiaries.....	-	-	118.3
Expense incurred in terminated merger.....	(5.5)	(30.3)	-
Payments to affiliates.....	-	(58.8)	-
Total items relating to investing.....	(486.0)	676.9	(363.3)
Items relating to financing:			
Proceeds from the issuance of equity securities.....	1.8	3.2	281.7
Proceeds from the issuance of debt.....	827.2	158.0	393.4
Common and preferred dividends.....	(24.6)	(31.3)	(23.0)
Dividends on stock held by subsidiaries.....	(38.7)	(4.6)	(1.8)
Payments on debt, including prepayments.....	(330.0)	(378.4)	(180.0)
Repurchases of Conesco common stock	(92.4)	(354.3)	(25.3)
Payments to retire preferred stock	-	(3.3)	(50.0)
Total items relating to financing.....	343.3	(610.7)	395.0
Change in short-term investments of parent and its non-life subsidiaries.....	(108.3)	90.2	24.9
Short-term investments, beginning of year.....	132.5	42.3	17.4
Short-term investments, end of year.....	\$ 24.2	\$132.5	\$ 42.3

At December 31, 1995, the parent company and its non-life subsidiaries had short-term investments of \$24.2 million, of which \$5.8 million was expended in January 1996 for accrued interest and dividends. The life subsidiaries are permitted to distribute \$97.9 million to the parent company in 1996. The parent company and its non-life subsidiaries had additional investments in nonaffiliates of \$11.2 million at December 31, 1995, which, if needed, could be liquidated or contributed to the insurance subsidiaries. Conesco believes that it could generate additional liquidity, if needed in the future, through equity offerings, debt issuance, borrowing additional amounts under its Credit Agreement with a group of banks as discussed in note 8 to the consolidated financial statements, or the conversion of existing assets to cash, including the sale of a partial or entire interest in its affiliates.

Statutory Limitations on Payments by Life Insurance Subsidiaries to Their Parent

As described in the preceding section, Conseco receives funds from its wholly owned insurance subsidiaries from dividends and fees for shared expenses, tax sharing payments, and principal and interest on surplus debentures. Annual dividends in excess of maximum amounts prescribed by state statutes (so-called "extraordinary dividends") may not be paid without the approval of the insurance commissioner of each state of domicile.

Statutory operating results and statutory surplus are determined according to statutes adopted by each state in which the subsidiaries do business. Statutory surplus bears no direct relationship to equity as determined under generally accepted accounting principles ("GAAP"). With respect to new business, statutory accounting practices require that: (i) acquisition costs and (ii) reserves for future guaranteed principal payments and interest in excess of statutory rates, be expensed in the year the new business is written. These items cause a statutory loss ("surplus strain") on many insurance products in the year they are issued. The Company designs its products to minimize such first-year losses, but certain products continue to cause a statutory loss in the year written. For each product, the Company controls the amount of new premiums written in order to manage the effect of such statutory surplus strain.

Note 13 to the consolidated financial statements shows the difference

between pretax income reported using statutory accounting practices (before deduction of expenses paid to affiliates and transfers to and from amortization of IMR) and GAAP.

Insurance departments in the states where the Company's life insurance subsidiaries are domiciled or do business require insurance companies to make annual and quarterly filings. Portions of surplus, called the interest maintenance reserve ("IMR") and the asset valuation reserve ("AVR"), are required to be appropriated and reported as liabilities. The IMR captures all investment gains and losses resulting from changes in interest rates and provides for subsequent amortization of such amounts into statutory net income on a basis reflecting the remaining lives of the assets sold. The AVR captures investment gains and losses related to changes in creditworthiness; it is also adjusted each year based on a formula related to the quality and loss experience of the Company's investment portfolio. These reserves affect the ability of the Company's insurance subsidiaries to reflect investment gains and losses in statutory earnings and surplus.

INFLATION

Inflation does not have a significant effect on Conseco's balance sheet; the Company has minimal investments in property, equipment or inventories.

Medical cost inflation has had a significant impact on BLH's operations. In recent years, these costs have increased more than increases in the Consumer Price Index. Medical costs will likely continue to rise. The impact on BLH's operations depends upon its ability to increase its premium rates. Such increases are subject to approval by the insurance departments of each state in which BLH sells its products. Prior to the standardization of Medicare supplement plans, approximately two-thirds of the states permitted rate plans with automatic escalation clauses. This permitted BLH, in periods following initial approval, to adjust premium rates for changes in Medicare deductibles and increases in medical cost inflation without refiling with the regulators. Currently, all rate changes for standardized plans must be individually approved by each state. BLH's pricing of its new standardized supplement plans reflects the impact of these filings and the lengthening of the period required to implement rate increases.

OUTLOOK

As indicated throughout this report, Conseco intends to continue its strategy of growth through operating life insurance companies and providing services for fees to the affiliated companies and others.

Growth Through Operations of Life Insurance Companies

Conseco's life insurance operations include: (i) BLH, in which Conseco had an 88 percent ownership interest at December 31, 1995, and a 90.5 percent ownership interest at March 5, 1996; (ii) Great American Reserve and Beneficial Standard which became wholly owned subsidiaries as a result of the CCP Merger;

(iii) the wholly owned life insurance subsidiaries, principally Bankers National and National Fidelity; and (iv) AGP, in which Conseco has a 36 percent ownership interest. Upon completion of the merger with Life Partners Group, Inc. ("LPG"), announced in March 1996, Conseco will have significant in-force business and marketing activity in multiple segments of the life insurance industry, including universal life, ordinary life, term life, single and flexible premium deferred and immediate annuities (including both variable and fixed), Medicare supplement, long-term care and individual and group health insurance. Pro forma collected premiums for 1995 including LPG (\$542.6 million), AGP (\$825.6 million) and subsidiaries (\$2,303.6 million) were as follows (dollars in millions):

Product		
Life:		
Universal.....		\$ 411.7
Individual whole and term life.....		260.1
 Annuities:		
Single premium.....		1,336.9
Flexible premium		509.2
 Accident and health:		
Medicare supplement.....		597.1
Long-term care.....		158.8
Group.....		296.8
Other.....		101.2
 Total.....		\$3,671.8
		=====

BLH's strategy is to continue to grow profitably its individual health and other insurance business while maintaining appropriate levels of capital and surplus. A primary area of focus is expanding and enhancing the productivity of the career agency force, which is BLH's main distribution system. BLH's growth strategy also emphasizes increased cross-selling to existing policyholder households and developing products tailored to meet specific consumer needs. As a result of cross-selling, 1995 annualized new business premiums increased 20 percent for long-term care products. While new sales of Medicare supplement insurance in 1995 were below 1994 levels, total Medicare premiums collected increased 1.0 percent. We believe rate increases effected by BLH in 1995 to offset increased claims costs may have caused the BLH Medicare supplement policy to be less competitive. We believe recently announced rate increases for some competitors' products should improve the BLH price competitiveness in 1996.

The U.S. Congress and state legislatures are currently considering various proposals relating to the country's health care delivery system. BLH is unable to predict what changes will be enacted and, if enacted, their scope and impact. BLH, however, continues to believe that opportunities for its products will grow under any realistic and affordable health care reform scenario.

The annuity operations and AGP have: (i) a sizable and profitable block of in-force business; and (ii) distribution systems that have the potential to generate growth in the SPDA and 403(b) tax sheltered annuity markets.

LPG is a recognized leader in the sale of universal life insurance and has recently increased its annuity sales results. Upon completion of the LPG merger, Conseco intends to concentrate on programs to increase the effectiveness of LPG's marketing programs and to seek ways to cross-sell LPG products in Conseco's other marketing programs and provide other Conseco products to LPG's marketing force.

Conseco believes that the statutory surplus of its insurance subsidiaries and investees is adequate. Conseco believes that statutory earnings in 1996 will exceed amounts needed by the holding companies for debt service and other requirements. Such excesses would increase statutory capital of the life insurance subsidiaries and investees so that their internal growth can continue.

Services Provided for Fees

Conseco continues to provide various services to BLH, AGP, the former subsidiaries of CCP and the other wholly owned subsidiaries. These services include investment management, mortgage origination and servicing, policy and claims administration, data processing, product marketing and executive management services. Conseco also provides such services to unaffiliated clients, principally insurance companies. Conseco intends to expand its service fee revenue by seeking other unaffiliated clients. Such arrangements would take advantage of Conseco's ability to administer products and investments without requiring Conseco to provide additional capital needed to support those products. Because of changes in control at two of Conseco's unaffiliated clients in 1995, it expects to lose those clients during 1996. Fee revenue from those clients in 1995 was \$2.2 million for investment management and \$4.5 million for administrative services (both amounts are before deduction of direct and indirect expenses). In March 1993, Conseco acquired Bankmark, an insurance marketing company which develops relationships with financial institutions to provide insurance and investment products to their customers. After its acquisition by Conseco, Bankmark began a formal program to actively expand its business by developing relationships with a few large money-center banks.

Acquisition and Restructuring of Life Insurance Companies

With the 1996 announcement of the termination of Partnership II, Conseco no longer expects to participate significantly in the process of restructuring life insurance companies in order to realize their increased value through a sale or public offering of the companies. Conseco is currently reviewing alternatives to realize the values represented by AGP. In accordance with the partnership agreement, Partnership II's assets must be distributed within two years of the effective date of dissolution.

The Company believes that a number of life insurance companies will be available to be acquired in the next 10 years as a result of strategic restructuring and consolidation within the life industry. The Company may participate directly in such acquisitions, such as its planned merger with LPG, when the acquisition fits Conseco's strategic growth plan and can be achieved with a capital structure that results in both: (i) increased earnings per share and value to Conseco's shareholders; and (ii) favorable rating agency actions that facilitate profitable marketing activities by all Conseco companies.

Conseco's ability to complete acquisitions that achieve those objectives depends on a number of external factors, including: (i) the attitudes of rating agencies toward Conseco's strategic plan and capital structure; (ii) the availability and cost of both debt and equity capital; (iii) pressures that motivate companies to seek to be acquired at a reasonable cost; and (iv) competition from other acquirers, which affects the cost of acquisitions.

Conseco believes it has the resources and capabilities to continue being a successful acquirer of life insurance companies. It also believes that its past record of successfully acquiring, financing and operating life insurance companies will be an advantage compared to others who may attempt to acquire available candidates. As shown in the prior section on liquidity, the pro forma capital structure of Conseco (giving effect to several 1996 events, as if they had occurred at December 31, 1995) includes only 32 percent debt for which Conseco is directly liable to Conseco's capital (40 percent if debt of BLH is included).

As part of its program of exploring opportunities to improve its capital structure, Conseco continually reviews its corporate structure and the need and desirability of restructuring the existing debt and equity of the Company and its affiliates.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**Index to Consolidated Financial Statements**

	Page
Report of Management.....	50
Report of Independent Accountants.....	51
Consolidated Balance Sheet at December 31, 1995 and 1994.....	52
Consolidated Statement of Operations for the years ended December 31, 1995, 1994 and 1993.....	54
Consolidated Statement of Shareholders' Equity for the years ended December 31, 1995, 1994 and 1993.....	56
Consolidated Statement of Cash Flows for the years ended December 31, 1995, 1994 and 1993.....	57
Notes to Consolidated Financial Statements.....	59

REPORT OF MANAGEMENT

To Our Shareholders

Management of Conseco, Inc. is responsible for the reliability of the financial information in this annual report. The financial statements are prepared in accordance with generally accepted accounting principles, and the other financial information in this annual report is consistent with that of the financial statements (except for such information described as being in accordance with regulatory or statutory accounting requirements).

The integrity of the financial information relies in large part on maintaining a system of internal control that is established by management to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported. Reasonable assurance is based upon the premise that the cost of controls should not exceed the benefits derived from them. The Company's internal auditors continually evaluate the adequacy and effectiveness of this system of internal control and actions are taken to correct deficiencies as they are identified.

Certain financial information presented depends upon management's estimates and judgments regarding the ultimate outcome of transactions which are not yet complete. Management believes these estimates and judgments are fair and reasonable in view of present conditions and available information.

The Company engages independent accountants to audit its financial statements and express their opinion thereon. They have full access to each member of management in conducting their audits. Such audits are conducted in accordance with generally accepted auditing standards and include a review of internal controls, tests of the accounting records, and such other auditing procedures as they consider necessary to express an opinion on the Company's financial statements.

The Audit Committee of the Board of Directors, composed solely of nonmanagement directors, meets periodically with management, internal auditors and the independent accountants to review internal accounting control, audit activities and financial reporting matters. The internal auditors and the independent accountants have full and free access to the Audit Committee.

Stephen C. Hilbert
Chairman of the Board,
President and
Chief Executive Officer

Rollin M. Dick
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders
Conseco, Inc.

We have audited the accompanying consolidated balance sheet of Conseco, Inc. and Subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Conseco, Inc. and Subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Indianapolis, Indiana
March 20, 1996

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
December 31, 1995 and 1994
(Dollars in millions)

ASSETS

	1995	1994
Investments:	---	---
Actively managed fixed maturities at fair value (amortized cost):		
1995 - \$12,355.1; 1994 - \$7,440.5)	\$ 12,963.3	\$ 7,067.1
Equity securities at fair value (cost: 1995 - \$34.6; 1994 - \$43.0)	36.6	39.6
Mortgage loans	339.9	142.6
Credit-tenant loans	259.1	69.0
Policy loans	307.6	175.1
Investment in CCP Insurance, Inc.	--	195.4
Other invested assets	91.2	68.7
Trading account securities	--	21.6
Short-term investments	189.9	295.4
Assets held in separate accounts	227.0	84.9
	-----	-----
Total investments	14,414.6	8,159.4
Accrued investment income	207.8	126.3
Cost of policies purchased	1,030.7	1,021.6
Cost of policies produced	391.0	300.7
Reinsurance receivables	84.8	45.5
Income taxes	--	195.2
Goodwill (net of accumulated amortization: 1995 - \$48.0; 1994 - \$25.3)	894.1	687.7
Property and equipment (net of accumulated depreciation: 1995 - \$36.3; 1994 - \$27.1)	88.7	89.1
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	39.2	36.2
Other assets	146.6	150.2
	-----	-----
Total assets	\$17,297.5	\$10,811.9
	=====	=====

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Continued)
December 31, 1995 and 1994
(Dollars in millions)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1995	1994
Liabilities:	<b">-----</b">	<b">-----</b">
Insurance liabilities	\$ 13,378.4	\$ 8,537.4
Income tax liabilities	93.3	--
Investment borrowings	298.1	--
Other liabilities	329.6	318.0
Liabilities related to separate accounts	227.0	84.9
Notes payable of Conseco	871.4	191.8
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	301.5	280.0
Notes payable of Partnership II entities, not direct obligations of Conseco	283.2	331.1
	<b">-----</b">	<b">-----</b">
Total liabilities	15,782.5	9,743.2
	<b">-----</b">	<b">-----</b">
Minority interest	403.3	321.7
	<b">-----</b">	<b">-----</b">
Shareholders' equity:	<b">-----</b">	<b">-----</b">
Preferred stock	283.5	283.5
Common stock and additional paid-in capital (no par value, 500,000,000 shares authorized, shares issued and outstanding: 1995 - 40,515,914; 1994 - 44,369,700)	157.2	165.8
Unrealized appreciation (depreciation) of securities: Fixed maturity securities (net of applicable deferred income taxes: 1995 - \$66.8; 1994 - \$(65.0))	112.6	(137.7)
Equity securities (net of applicable deferred income taxes: 1995 - \$.1; 1994 - (\$.9)) .....	.1	(2.0)
Retained earnings	558.3	437.4
	-----	-----
Total shareholders' equity	1,111.7	747.0
	-----	-----
Total liabilities and shareholders' equity	\$17,297.5	\$10,811.9
	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions, except per share data)

	1995	1994	1993
Revenues:	---	---	---
Insurance policy income.....	\$1,465.0	\$1,285.6	\$1,293.8
Investment activity:			
Net investment income.....	1,142.6	385.7	896.2
Net trading income (losses).....	2.5	(4.9)	93.1
Net realized gains (losses).....	186.4	(25.6)	149.5
Fee revenue.....	33.9	58.0	26.5
Equity in earnings of CCP Insurance, Inc.....	-	24.7	37.4
Equity in earnings of Western National Corporation.....	-	40.2	-
Restructuring income.....	15.2	80.8	138.1
Other income.....	9.7	17.5	1.4
	-----	-----	-----
Total revenues.....	2,855.3	1,862.0	2,636.0
	-----	-----	-----
Benefits and expenses:			
Insurance policy benefits.....	1,075.5	915.4	1,007.8
Change in future policy benefits.....	32.0	42.6	60.0
Interest expense on annuities and financial products.....	585.4	134.7	408.5
Interest expense on notes payable.....	119.4	59.3	58.0
Interest expense on investment borrowings.....	22.2	7.7	10.6
Amortization related to operations.....	203.6	133.3	140.2
Amortization and change in future policy benefits related to realized gains (losses).....	126.6	(5.3)	126.3
Expenses incurred in conjunction with terminated merger.....	-	35.8	-
Other operating costs and expenses.....	272.1	214.1	214.4
	-----	-----	-----
Total benefits and expenses.....	2,436.8	1,537.6	2,025.8
	-----	-----	-----
Income before income taxes, minority interest and extraordinary charge	418.5	324.4	610.2
Income tax expense.....	87.0	111.0	223.1
	-----	-----	-----
Income before minority interest and extraordinary charge	331.5	213.4	387.1
Minority interest.....	109.0	59.0	78.2
	-----	-----	-----

(Continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (Continued)
for the years ended December 31, 1995, 1994 and 1993
(Dollars in millions, except per share data)

	1995	1994	1993
Income before extraordinary charge	222.5	154.4	308.9
Extraordinary charge on extinguishment of debt, net of taxes and minority interest.....	2.1	4.0	11.9
Net income.....	220.4	150.4	297.0
Less preferred stock dividends.....	18.4	18.6	20.6
Net income applicable to common stock.....	\$202.0	\$131.8	\$276.4
Earnings per common share and common equivalent share:			
Primary:			
Weighted average shares outstanding.....	43,047,000	52,696,000	58,490,000
Net income before extraordinary charge	\$4.74	\$2.58	\$4.93
Extraordinary charge .....	.05	.08	.20
Net income.....	\$4.69	\$2.50	\$4.73
Fully diluted:			
Weighted average shares outstanding.....	52,240,000	61,718,000	66,990,000
Net income before extraordinary charge	\$4.26	\$2.50	\$4.57
Extraordinary charge.....	.04	.06	.18
Net income.....	\$4.22	\$2.44	\$4.39

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS'

EQUITY for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
Preferred stock:	-----	-----	-----
Balance, beginning of year.....	\$ 283.5	\$ 287.5	\$ 50.0
Series D preferred shares issued.....	-	-	287.5
Preferred shares redeemed.....	-	(4.0)	(50.0)
Balance, end of year.....	\$ 283.5	\$ 283.5	\$287.5
	=====	=====	=====
Common stock and additional paid-in capital:	-----	-----	-----
Balance, beginning of year.....	\$ 165.8	\$ 102.8	\$115.4
Amounts related to stock options and employee benefit plans.....	6.0	19.3	6.4
Tax benefit related to issuance of shares under employee benefit plans.....	.4	69.2	15.3
Cost of shares acquired charged to common stock and additional paid-in capital.....	(15.0)	(25.5)	(25.3)
Cost of issuance of Series D preferred shares.....	-	-	(9.0)
Balance, end of year.....	\$ 157.2	\$ 165.8	\$ 102.8
	=====	=====	=====
Unrealized appreciation (depreciation) of securities:	-----	-----	-----
Fixed maturity securities:	-----	-----	-----
Balance, beginning of year	\$ (137.7)	\$ 87.4	\$ 34.0
Change in unrealized appreciation (depreciation)	250.3	(225.1)	53.4
Balance, end of year.....	\$ 112.6	\$(137.7)	\$ 87.4
	=====	=====	=====
Equity securities:	-----	-----	-----
Balance, beginning of year	\$ (2.0)	\$ 10.1	\$ 8.9
Change in unrealized appreciation (depreciation)	2.1	(12.1)	1.2
Balance, end of year.....	\$.1	\$ (2.0)	\$ 10.1
	=====	=====	=====
Retained earnings:	-----	-----	-----
Balance, beginning of year.....	\$ 437.4	\$ 654.8	\$ 386.0
Net income	220.4	150.4	297.0
Cost of shares acquired charged to retained earnings.....	(77.4)	(337.0)	-
Dividends on common stock.....	(3.7)	(12.2)	(7.6)
Dividends on preferred stock.....	(18.4)	(18.6)	(20.6)
Balance, end of year.....	\$ 558.3	\$ 437.4	\$ 654.8
	=====	=====	=====
Total shareholders' equity.....	\$1,111.7	\$ 747.0	\$1,142.6
	=====	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
Cash flows from operating activities:	---	---	---
Net income	\$ 220.4	\$ 150.4	\$ 297.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and depreciation	339.4	136.3	235.4
Income taxes	(34.7)	(5.7)	1.2
Insurance liabilities	(4.2)	67.9	89.5
Interest credited to insurance liabilities	585.4	134.7	408.5
Fees charged to insurance liabilities	(108.1)	(43.0)	(38.8)
Accrual and amortization of investment income	(71.8)	(37.6)	(34.0)
Deferral of cost of policies produced	(282.1)	(161.8)	(159.7)
Restructuring income	(15.2)	(80.8)	(138.1)
Equity in undistributed earnings of CCP Insurance, Inc.	--	(23.8)	(36.6)
Equity in undistributed earnings of Western National Corporation	--	(37.3)	--
Trading account securities	21.6	23.4	287.0
Minority interest	91.9	45.1	77.2
Extraordinary charge on extinguishment of debt	3.7	5.0	16.3
Realized (gains) losses and trading (income) losses.....	(188.9)	30.5	(242.6)
Other	(28.9)	(37.2)	16.0
	-----	-----	-----
Net cash provided by operating activities	528.5	166.1	778.3
	-----	-----	-----
Cash flows from investing activities:			
Sales of investments	5,831.8	1,902.4	6,628.8
Maturities and redemptions	417.1	148.2	1,428.9
Purchases of investments	(7,064.8)	(2,749.8)	(9,703.4)
Cash received from reinsurance recapture	--	158.8	--
Purchase of additional shares of Bankers Life Holding Corporation	(262.4)	--	(237.6)
Purchase of additional shares of CCP Insurance, Inc.	(281.8)	--	(59.5)
Payments to repurchase equity securities by Bankers Life Holding Corporation	(42.1)	(35.7)	(52.2)
Payments to repurchase equity securities by CCP Insurance, Inc.	(44.5)	--	--
Purchase of American Life Group, Inc.	--	(215.3)	--
Purchase of Bankmark	--	--	(3.8)
Cash held by CCP Insurance, Inc. before consolidation at January 1, 1995	123.0	--	--
Proceeds from sale of Western National Corporation, net of cash held before deconsolidation	--	459.2	--
Other	(3.3)	(31.3)	(25.7)
	-----	-----	-----
Net cash used by investing activities	(1,327.0)	(363.5)	(2,024.5)
	-----	-----	-----

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
for the years ended December 31, 1995, 1994 and 1993
(Dollars in millions)

	1995	1994	1993
Cash flows from financing activities:	-----	-----	-----
Issuance of capital stock, net	\$ 1.8	\$ 16.9	\$ 281.7
Issuance of equity interests in subsidiaries, net	16.8	68.0	405.3
Issuance of notes payable of Conseco, net	795.2	158.0	393.4
Issuance of notes payable of subsidiaries, net - not direct obligations of Conseco	233.4	306.4	--
Payments to repurchase equity securities of Conseco	(92.4)	(366.5)	(75.3)
Payments on notes payable of Conseco	(330.0)	(378.4)	(157.2)
Payments on notes payable of subsidiaries - not direct obligations of Conseco	(269.0)	(66.5)	(127.3)
Deposits to insurance liabilities	1,757.4	634.6	891.9
Investment borrowings	298.1	(207.2)	220.4
Withdrawals from insurance liabilities	(1,622.6)	(307.6)	(563.9)
Cash paid in reinsurance recapture	(71.1)	--	--
Dividends paid	(24.6)	(31.3)	(23.0)
	-----	-----	-----
Net cash provided (used) by financing activities	693.0	(173.6)	1,246.0
	-----	-----	-----
Net decrease in short-term investments	(105.5)	(371.0)	(.2)
Short-term investments, beginning of year	295.4	666.4	666.6
	-----	-----	-----
Short-term investments, end of year	\$ 189.9	\$ 295.4	\$ 666.4
	=====	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The following summary explains the accounting policies we use to arrive at some of the more significant numbers in our financial statements. We have restated all share and per share amounts for the April 1, 1996 two-for-one stock split. We prepare our financial statements in accordance with generally accepted accounting principles ("GAAP"). We follow the accounting standards established by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the Securities and Exchange Commission.

Conseco, Inc. ("We," "Conseco" or "the Company") is a financial services holding company engaged primarily in the development, marketing and administration of annuity, supplemental health and individual life products. Conseco's earnings result primarily from: (i) operating life insurance companies; and (ii) providing investment management, administrative and other fee-based services to affiliated businesses as well as non-affiliates. Conseco's operating strategy is to grow the insurance business within its subsidiaries by focusing its resources on the development and expansion of profitable products and strong distribution channels. Conseco has supplemented such growth by acquisitions of companies that have profitable niche products, strong distribution systems and progressive management teams who can work with Conseco to implement Conseco's operating and growth strategies. Once a company has been acquired, Conseco's operating strategy has been to consolidate and streamline management and administrative functions, to realize superior investment returns through active asset management, to eliminate unprofitable products and distribution channels, and to expand the profitable distribution channels and products. Our principal wholly owned life insurance subsidiaries are Great American Reserve Insurance Company ("Great American Reserve"), Beneficial Standard Life Insurance Company ("Beneficial Standard"), Bankers National Life Insurance Company ("Bankers National"), National Fidelity Life Insurance Company ("National Fidelity") and Lincoln American Life Insurance Company ("Lincoln American"). We also own 88 percent (90.5 percent as of March 5, 1996) of the common stock of Bankers Life Holding Corporation ("BLH"), which is the holding company for Bankers Life and Casualty Company ("Bankers Life"); and through our interests in Conseco Capital Partners II, L.P. ("Partnership II") and our direct investments, we have a 36 percent ownership interest in American Life Group, Inc. ("AGP") (formerly known as The Statesman Group, Inc. prior to its name change in August 1995).

Consolidation issues. During 1990, Conseco formed Conseco Capital Partners, L.P. ("Partnership I"), which raised and invested \$99.5 million of capital. Approximately half of this capital was provided by Conseco; the balance was provided by other investors. A wholly owned subsidiary of Conseco was the sole general partner of Partnership I. Partnership I was the Company's vehicle for acquiring four insurance companies: Great American Reserve in June 1990, Jefferson National Life Insurance Company ("Jefferson National") in November 1990 (it was merged with Great American Reserve in 1994), Beneficial Standard in March 1991 and Bankers Life in November 1992. We accounted for all of these acquisitions as purchases, reflecting the acquired operations in our financial statements beginning with the acquisition dates. As sole general partner, Conseco exercised unilateral control over Partnership I. We were therefore required to include the accounts of Partnership I and its majority-owned subsidiaries in our consolidated financial statements until Partnership I was liquidated on March 31, 1993. See note 2 for a description of the activities of Partnership I.

CCP Insurance, Inc. ("CCP"), a newly organized holding company for Partnership I's first three acquisitions, completed an initial public offering (IPO) in July 1992. As a result of the IPO, we no longer had unilateral control over those entities and stopped including their accounts in our consolidated financial statements. We carried our investment in CCP and its subsidiaries in our financial statements on the equity basis in 1994 and 1993. As described in note 2, in August 1995, Conseco completed the purchase of all the shares of common stock of CCP we did not previously own in a transaction pursuant to which CCP was merged with Conseco, with Conseco being the surviving corporation (the merger and related transactions are referred to herein as the "CCP Merger"). As a result, CCP's subsidiaries (Great American Reserve and Beneficial Standard) became wholly owned subsidiaries of the Company. The Company's consolidated statements reflect the operations of CCP on a consolidated basis effective January 1, 1995.

We were required to use step-basis accounting when we acquired the shares of CCP common stock in various transactions. As a result, the assets and liabilities of CCP included in our December 31, 1995, consolidated balance sheet represent the following combination of values: (i) the portion of CCP's net assets acquired by Conseco in the initial acquisitions of CCP's subsidiaries made by Partnership I is valued as of those respective acquisition dates; and

(ii) the portion of CCP's net assets acquired in the CCP Merger is valued as of August 31, 1995.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

BLH, a company formed by Partnership I to acquire Bankers Life, completed an IPO in March 1993. As a result of the IPO, Conseco owned 31 percent of BLH and no longer had unilateral control of BLH. However, after we acquired additional shares of BLH in September 1993, our ownership position in BLH increased to 56 percent. In June 1995, we purchased additional shares of BLH, increasing the Company's ownership of BLH to 82 percent (85 percent including the shares of BLH owned by CCP). Conseco's ownership of BLH increased to 88 percent at December 31, 1995, and 90.5 percent at March 5, 1996, as a result of share repurchases by BLH in the third and fourth quarters of 1995 and in 1996. The accounts of BLH are consolidated with Conseco's accounts for all periods in the accompanying consolidated financial statements.

BLH's former owner continued to own 40 percent of BLH following Partnership I's acquisition of BLH in 1992. Partnership I and Conseco were therefore required to account for that acquisition as a "step acquisition transaction" in accordance with the guidance provided in Issue Number 88-16 of the Emerging Issues Task Force of the Financial Accounting Standards Board entitled "Basis in Leveraged Buyout Transactions." We also used step acquisition accounting when we bought more BLH stock in September 1993 and during 1995. As a result, the assets and liabilities of BLH included in Conseco's 1995 consolidated balance sheet represent the following combination of values: (i) the portion of BLH's net assets acquired by Conseco in the November 1992 acquisition made by Partnership I is valued as of that acquisition date; (ii) the portion of BLH's net assets acquired in September 1993 is valued as of that date; (iii) the portion of BLH's net assets acquired during 1995 is valued as of the date of their purchase (for accounting convenience June 30, 1995, has been used); and (iv) the portion of BLH's net assets owned by minority interests is valued based on a combination of the former owner's historical bases of net assets acquired in the initial acquisition in 1992 and the values defined in clause (i).

Western National Corporation ("WNC"), a company formed in October 1993 to be the holding company for Western National Life Insurance Company ("Western National"), completed an IPO in February 1994. Prior to the IPO, WNC was a wholly owned subsidiary of Conseco. We sold 60 percent of our equity interest in the IPO. As a result of the IPO, we no longer had unilateral control of WNC and we ceased including the accounts of WNC in our consolidated financial statements as of January 1, 1994. We sold our remaining 40 percent interest in WNC on December 23, 1994 (refer to note 2 for further discussion of the transactions involving WNC). Our equity in earnings of WNC in 1994 therefore reflected: (i) all of WNC's earnings for the period through February 15, 1994; and (ii) 40 percent of WNC's earnings for the period from February 15, 1994, through December 23, 1994.

Partnership II was organized to invest in privately negotiated acquisitions of specialized annuity, life and accident and health insurance companies and related businesses. Partnership II acquired AGP on September 29, 1994 (as further described in note 2). Partnership II owns 80 percent of the outstanding shares of AGP's common stock. Because Conseco is the sole general partner of Partnership II, Conseco controls Partnership II and AGP even though its ownership interest is less than 50 percent. Because of this control, Conseco's consolidated financial statements are required to include the accounts of Partnership II and AGP. Immediately after the acquisition of AGP, Conseco, through its direct investment and through its equity interests in the investments made by BLH, CCP and WNC, had approximately a 27 percent ownership interest in AGP.

On November 30, 1995, AGP issued 2,142,857 shares of its common stock for \$30.0 million (including \$13.2 million paid by Conseco and its subsidiaries) in a private placement transaction. Eighty percent of the shares were purchased by Partnership II and the remainder were purchased by the other holders of AGP's common stock. Conseco's ownership interest in AGP increased to 36 percent at December 31, 1995, as the result of this transaction and changes in our ownership of BLH and CCP (which have ownership interests in Partnership II and its subsidiaries), partially offset by the following transactions which occurred in December 1994: (i) the sale of Conseco's remaining equity interest in WNC; and (ii) the sale of a portion of its investment in AGP to an unaffiliated company.

We accounted for the acquisition of AGP using the purchase method of accounting. Under purchase accounting, we allocated the total purchase cost of AGP to the assets and liabilities acquired based on their fair values, with the excess of the total purchase cost over the fair value of the net assets acquired recorded as goodwill.

Neither "consolidation" nor "non-consolidation" changes the net income or shareholders' equity we report. Our consolidated financial statements do not include the results of material transactions between us and our consolidated affiliates, or among our consolidated affiliates. We reclassified some figures in our 1994 and 1993 consolidated financial statements and notes to conform with the 1995 presentation.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Investments

Fixed maturities are securities that mature more than one year after issuance. They include bonds, notes receivable and preferred stocks with mandatory redemption features.

Equity securities include investments in common stocks and non-redeemable preferred stock.

We implemented Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115") as of December 31, 1993. We classify our fixed maturity and equity securities into three categories:

Actively managed - fixed maturity and equity securities that we may sell prior to maturity in response to changes in interest rates, issuer credit quality or our liquidity requirements. We carry actively managed securities at fair value. We record any unrealized gain or loss, net of tax and the related adjustments described below, as a component of shareholders' equity.

Trading account - fixed maturity and equity securities that we buy principally for the purpose of selling in the near term. We carry trading account securities at estimated fair value. We include any unrealized gain or loss in net trading income. We did not hold any trading account securities at December 31, 1995.

Held to maturity - (all other fixed maturities) securities which we have the ability and positive intent to hold to maturity. When we own such securities, we carry them at amortized cost. We may dispose of these securities if the credit quality of the issuer deteriorates, if regulatory requirements change or under other unforeseen circumstances. We have not held any held to maturity securities since implementing SFAS 115.

We consider the anticipated returns from investing policyholder balances, including realized gains and losses, in determining the amortization of the cost of policies purchased and the cost of policies produced. When we state actively managed fixed maturities at fair value, we also adjust the cost of policies purchased and the cost of policies produced to reflect the change in cumulative amortization that we would have recorded if we had sold these securities at their fair value and reinvested the proceeds at current yields. If future yields on such securities decline, it may be necessary to increase certain of our insurance liabilities. We are required to adjust such liabilities when their balances and future net cash flows (including investment income) are insufficient to cover future benefits and expenses.

Unrealized gains and losses and the related adjustments described above have no effect on our earnings. We record them, net of tax, to shareholders' equity. The following table summarizes the effect of these adjustments on Conseco's actively managed fixed maturities as of December 31, 1995:

	Balance before adjustment	Effect of fair value adjustment to actively managed fixed maturities	Reported amount
(Dollars in millions)			
Actively managed fixed maturities.....	\$12,355.1	\$608.2	\$12,963.3
Cost of policies purchased.....	1,216.5	(185.8)	1,030.7
Cost of policies produced.....	434.7	(43.7)	391.0
Income tax liabilities.....	(44.4)	137.7	93.3
Minority interest.....	274.9	128.4	403.3
Unrealized appreciation of fixed maturity securities.....	-	112.6	112.6

When there are changes in conditions that cause us to transfer a fixed maturity investment to a different category (i.e., actively managed, trading or held to maturity), we transfer it to the new category at its fair value on the date of the transfer. We account for the security's unrealized gain or loss (such amounts were immaterial in 1995) as follows:

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For a transfer to the trading category - we recognize the unrealized gain or loss immediately in earnings.

For a transfer from the trading category - we do not reverse the unrealized gain or loss already recognized in earnings.

For a transfer to actively managed from held to maturity - we recognize the unrealized gain or loss immediately in shareholders' equity.

For a transfer to held to maturity from actively managed - we continue to report the unrealized gain or loss at the date of transfer in shareholders' equity, but we amortize the gain or loss over the remaining life of the security as an adjustment of yield.

Credit-tenant loans are loans for commercial properties. When we make these loans: (i) the lease of the principal tenant must be assigned to Conseco;

(ii) the lease must produce adequate cash flow to fund substantially all the requirements of the loan; and (iii) the principal tenant or the guarantor of such tenant's obligations must have an investment-grade credit rating when the loan is made. These loans also must be secured by the value of the related property. Our underwriting guidelines take into account such factors as: (i) the lease term of the property; (ii) the borrower's management ability, including business experience, property management capabilities and financial soundness; and (iii) such economic, demographic or other factors that may affect the income generated by the property, or its value. The underwriting guidelines generally require a loan-to-value ratio of 75 percent or less. We carry both credit-tenant loans and traditional mortgage loans at amortized cost.

As part of our investment strategy, we may enter into reverse repurchase agreements and dollar-roll transactions to increase our investment return or improve our liquidity. We account for these transactions as collateral borrowings, where the amount borrowed is equal to the sales price of the underlying securities.

Other invested assets consist principally of investments in unconsolidated limited partnerships. We generally account for them using the equity method.

Policy loans are stated at their current unpaid principal balances.

Short-term investments include commercial paper, invested cash and other investments purchased with maturities of less than three months. We carry them at amortized cost, which approximates their estimated fair value. We consider all short-term investments to be cash equivalents.

We defer any fees received or costs incurred when we originate investments--principally credit-tenant loans and mortgages. We amortize fees, costs, discounts and premiums as yield adjustments over the contractual lives of the investments. We consider anticipated prepayments on mortgage-backed securities in determining estimated future yields on such securities.

We record the cost of each individual investment security. When we sell, we report the difference between our sale proceeds and our carrying value of the individual security as a realized gain or loss on investments. If the proceeds result from prepayments by the issuer prior to maturity, then those differences are recorded as an adjustment to investment income.

We regularly evaluate all our credit-tenant loans, mortgage loans and other investments based on current economic conditions, credit loss experience and other investee-specific developments. If there is a decline in a security's net realizable value that is other than temporary, we treat it as a realized loss and we reduce our cost basis of the security to its estimated fair value. If a loan becomes impaired (i.e., it becomes probable that we will be unable to collect all amounts due according to the contractual terms of the agreement), we revalue the loan at the present value of expected cash flows, discounted at the loan's effective interest rate. We accrue interest thereafter on the net carrying amount of impaired loans.

Separate Accounts

Separate accounts are funds on which investment income and gains or losses accrue directly to certain policyholders. The assets of these accounts are legally segregated. They are not subject to the claims which may arise out of any other business of Conseco. We report separate account assets at market value; the underlying investment risks are assumed by the contract holders. We record the related liabilities at amounts equal to the underlying assets; the fair value of these liabilities is equal to their carrying amount.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Cost of Policies Purchased

When we acquire an insurance company, we assign a portion of its cost to the right to receive future cash flows from insurance contracts existing at the date of the acquisition. This cost of policies purchased represents the actuarially determined present value of the projected future cash flows from the acquired policies. To determine this value, we use a method which is consistent with methods commonly used to value blocks of insurance business and with the basic methodology generally used to value assets. It can be summarized as follows:

- Identify the expected future cash flows from the blocks of business.
- Identify the risks to realizing those cash flows (i.e., assess the probability that the cash flows will be realized).
- Identify the rate of return that we must earn in order to accept these risks, based on consideration of the factors summarized below.
- Determine the value of the policies purchased by discounting the expected future cash flows by the discount rate we need to earn.

The expected future cash flows we use in determining such value are based on actuarially determined projections of future premium collections, mortality, surrenders, operating expenses, changes in insurance liabilities, investment yields on the assets held to back the policy liabilities and other factors. These projections take into account all factors known or expected at the valuation date, based on the collective judgment of Conseco's management. Our actual experience on purchased business may vary from projections due to differences in renewal premiums collected, investment spread, investment gains or losses, mortality and morbidity costs and other factors.

The discount rate we use to determine the value of the cost of policies purchased is the rate of return we need to earn in order to invest in the business being acquired. In determining this required rate of return, we consider the following factors:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining expected future cash flows (as described above).
- Our cost of the capital required to fund the acquisition.
- The likelihood of changes in projected future cash flows that might occur if there are changes in insurance regulations and tax laws.
- The acquired company's compatibility with other Conseco activities that may favorably affect future cash flows.
- The complexity of the acquired company.
- Recent prices (i.e., discount rates used in determining valuations) paid by others to acquire similar blocks of business.

After we determine the cost of policies purchased, we amortize that amount based on the incidence of the expected cash flows. For acquisitions we made on or before November 19, 1992, we amortize the asset with interest at the same rate used to determine the discounted value of the asset. For acquisitions after November 19, 1992, (including the acquisition of AGP and the acquisitions of additional ownership interests in BLH and CCP in 1995 and 1994), we amortize this asset using the interest rate credited to the underlying policies.

If renewal premiums collected, investment spread, investment gains or losses, mortality and morbidity costs or other factors differ from our expectations, we adjust our amortization of the cost of policies purchased. For example, the sale of a fixed maturity investment may result in a gain (or loss). If the sale proceeds are reinvested at a lower (or higher) earnings rate, there may also be a reduction (or increase) in our future investment spread. We must then increase (or decrease) amortization to reflect the change in the incidence of expected cash flows. For acquisitions made on or before November 19, 1992, we adjust amortization in the current and future years to reflect: (i) our revised estimate of future cash flows; and (ii) the revised interest rate at which the

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

discounted present value of such expected future profits equals the unamortized asset balance (this rate may not exceed the rate initially used and may not be lower than the rate earned on invested assets). For acquisitions made after November 19, 1992, we adjust amortization consistent with the methods used with the cost of policies produced (described below).

We evaluate annually the recoverability of the cost of policies purchased. We compare our current estimate of expected future cash flows (discounted at the rate earned on our invested assets) to the unamortized asset balance by line of insurance business. If our current estimate indicates that the existing insurance liabilities, together with the present value of future net cash flows from the blocks of business purchased, will be insufficient to recover the cost of policies purchased, we charge the difference to expense.

Cost of Policies Produced

The costs which vary with and are primarily related to producing new business are referred to as cost of policies produced. They consist primarily of commissions, bonus interest and certain costs of policy issuance and underwriting, net of fees charged to the policy in excess of ultimate fees charged. To the extent that they are recoverable from future profits, we defer these costs and amortize them with interest as follows:

- For universal life-type contracts and investment-type contracts, in relation to the present value of expected gross profits from the contracts, discounted using the interest rate credited to the policy.
- For immediate annuities with mortality risks, in relation to the present value of benefits to be paid.
- For traditional life and accident and health products, in relation to future anticipated premium revenue, using the same assumptions that are used in calculating the insurance liabilities.

We evaluate annually the recoverability of the unamortized balance of the cost of policies produced. For universal life-type contracts and investment-type contracts, we increase or decrease the accumulated amortization whenever there is a material change in the estimated gross profits expected over the life of a block of business. We do this in order to maintain a constant relationship between the cumulative amortization and the present value (discounted at the rate of interest that accrues to the policies) of expected gross profits. For most other contracts, we reduce the unamortized asset balance (by a charge to income) only when the present value of future cash flows, net of the policy liabilities, is insufficient to recover the asset balance.

Goodwill

Goodwill is the excess of the amount we paid to acquire a company over the fair value of its net assets. We amortize goodwill on the straight-line basis over a 40-year period. We continually monitor the value of our goodwill based on our estimates of future earnings. We determine whether goodwill is fully recoverable from projected undiscounted net cash flows from earnings of the subsidiaries over the remaining amortization period. If we were to determine that a material change has occurred in the factors supporting recoverability of goodwill over the remaining amortization period, we would reduce its carrying value with a corresponding charge to expense or shorten the amortization period (no such changes have occurred.).

Property and Equipment

We carry property and equipment at depreciated cost. We depreciate property and equipment on a straight-line basis over the estimated useful lives of the assets, which average approximately 13 years. Our depreciation expense was \$9.3 million in 1995, \$8.3 million in 1994 and \$6.0 million in 1993.

Insurance Liabilities, Recognition of Insurance Policy Income and Related Benefits and Expenses

Our reserves for universal life-type and investment-type contracts are based either on the contract account balance (if future benefit payments in excess of the account balance are not guaranteed) or on the present value of future benefit payments (if such payments are guaranteed). We make additions to insurance liabilities if we determine that future cash flows (including investment income) are insufficient to cover future benefits and expenses.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For investment contracts without mortality risk (such as deferred annuities and immediate annuities with benefits paid for a period certain) and for contracts that permit either Conseco or the insured to make changes in the contract terms (such as single-premium whole life and universal life), we record premium deposits and benefit payments as increases or decreases in a liability account, rather than as revenue and expense. We record as revenue any amounts charged against the liability account for the cost of insurance, policy administration and surrender penalties. We record as expense any interest credited to the liability account and any benefit payments which exceed the contract liability account balance.

Our reserves for traditional and limited-payment life contracts are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals and dividends. We make these assumptions at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. We base these assumptions on projections from past experience, modified as necessary to reflect anticipated trends and making allowance for possible unfavorable deviation.

For traditional life insurance contracts, we recognize premiums as income when due or, for short duration contracts, over the period to which the premiums relate. We recognize benefits and expenses as a level percentage of earned premiums. We accomplish this by providing for future policy benefits and by amortizing deferred policy acquisition costs.

For contracts with mortality risk, but with premiums paid for only a limited period (such as single premium immediate annuities with benefits paid for the life of the annuitant), our accounting treatment is similar to that used for traditional contracts. An exception is that we defer the excess of the gross premium over the net premium and recognize it in relation to the present value of expected future benefit payments (when accounting for annuity contracts) or in relation to insurance in force (when accounting for life insurance contracts).

We establish reserves for the estimated present value of the remaining net cost of all reported and unreported claims. We base our estimates on past experience and on published tables for disabled lives. We believe that the reserves we have established are adequate. Final claim payments, however, may differ from the established reserves, particularly when those payments may not occur for several years. Any adjustments we make to reserves are reflected in the results for the year during which the adjustments are made.

The liability for future policy benefits for accident and health policies consists of active life reserves and the estimated present value of the remaining ultimate net cost of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

For participating policies, we determine annually the amount of dividends to be paid. We include as an insurance liability the portion of the earnings allocated to participating policyholders.

Reinsurance

In the normal course of business, Conseco seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. We do this by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts. We limit how much risk per policy we will retain. This retention limit does not exceed \$.8 million on any of our policies.

We report assets and liabilities related to insurance contracts before the effects of reinsurance. We report reinsurance receivables and prepaid reinsurance premiums (including amounts related to insurance liabilities) as assets. We recognize estimated reinsurance receivables in a manner consistent with the liabilities related to the underlying reinsured contracts.

Income Taxes

Our income tax expense includes deferred income taxes arising from temporary differences between the tax and financial reporting basis of assets and liabilities. This liability method of accounting for income taxes also requires us to reflect the effect of a tax rate change on accumulated deferred income taxes in income in the period in which the change is enacted.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In assessing the realization of deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. If future income does not occur as expected, deferred income taxes may need to be written off.

Minority Interest

Our consolidated financial statements include all of the assets, liabilities, revenues and expenses of BLH, AGP (since its acquisition by Partnership II on September 29, 1994), and CCP (since January 1, 1995, as a result of the CCP Merger). We make a charge against consolidated income for the share of earnings allocable to the minority interests. We show the shareholders' equity of such entities allocable to the minority interests separately on our consolidated balance sheet.

Earnings Per Share

We compute primary net income per share by dividing earnings less preferred dividend requirements by the weighted average number of common and common equivalent shares outstanding for the period. We compute fully diluted net income per share on the same basis, except that, if more dilutive: (i) the number of common equivalent shares related to stock options is based on the period-end market value of the shares, instead of the average market value; and (ii) convertible preferred stock is assumed to be converted into common shares. We have restated all share and per share amounts for the April 1, 1996 two-for-one stock split.

During the preparation of financial statements in conformity with GAAP we are required to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the preparation period. Actual results could differ from those estimates. We utilize significant estimates and assumptions in the calculation of cost of policies produced, cost of policies purchased, goodwill, insurance liabilities, guaranty fund assessment accruals and deferred income taxes. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized which could have a material impact on the financial statements.

Fair Values of Financial Instruments

We use the following methods and assumptions to determine the estimated fair values of financial instruments:

Investment securities. For fixed maturity securities (including redeemable preferred stocks) and for equity and trading account securities, we use quotes from independent pricing services, where available. For investment securities for which such quotes are not available, we use values obtained from broker-dealer market makers or by discounting expected future cash flows using a current market rate appropriate for the yield, credit quality and, for fixed maturity securities, the maturity of the investment being priced.

Short-term investments. We use quoted market prices. The carrying amount reported on our consolidated balance sheet for these instruments approximates their estimated fair value.

Mortgage loans, credit-tenant loans and policy loans. We discount future expected cash flows based on interest rates currently being offered for similar loans to borrowers with similar credit ratings. We aggregate loans with similar characteristics in our calculations.

Other invested assets. We have assumed that these assets, which are not material, have a market value equal to carrying value.

Securities segregated for the future redemption of redeemable preferred stock of a subsidiary. Estimated fair values of the U.S. Treasury securities held in escrow for the future redemption of redeemable preferred stock of a subsidiary of AGP are based on quoted market prices.

Interest rate swaps. Estimated fair values of interest rate swap contracts are based on estimates of fair value from dealers which represent the net value or the cost of terminating the contracts at the balance sheet date.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Insurance liabilities for investment contracts. We use discounted cash flow calculations based on interest rates currently being offered for similar contracts having maturities consistent with the contracts being valued.

Investment borrowings and notes payable. We use either: (i) discounted cash flow analyses based on our current incremental borrowing rates for similar types of borrowing arrangements; or (ii) current market values for publicly traded debt.

Redeemable preferred stock of a subsidiary of AGP (a component of minority interest). The estimated fair value of redeemable preferred stock which is publicly-traded is based on quoted market prices. The estimated fair value of the privately placed redeemable preferred stock is determined by discounting expected future cash flows using assumed incremental dividend rates for similar duration securities.

Here are the estimated fair values of our financial instruments:

	1995	1994	
	Carrying Amount	Fair Value	Carrying Amount
	-----	-----	-----
(Dollars in millions)			
Financial assets issued for purposes other than trading:			
Actively managed fixed maturities.....	\$12,963.3	\$12,963.3	\$7,067.1
Equity securities	36.6	36.6	39.6
Mortgage loans.....	339.9	363.3	142.6
Credit-tenant loans.....	259.1	258.6	69.0
Policy loans.....	307.6	307.6	175.1
Other invested assets.....	91.2	91.2	68.7
Short-term investments.....	189.9	189.9	295.4
Securities segregated for future redemption of redeemable preferred stock of a subsidiary.....	39.2	50.1	36.2
Trading account securities.....	-	-	21.6
Financial liabilities issued for purposes other than trading:			
Insurance liabilities for investment contracts (1).....	9,628.9	9,628.9	5,727.6
Interest rate swaps.....	-	-	10.6
Investment borrowings.....	298.1	298.1	-
Notes payable of Conseco.....	871.4	890.3	191.8
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco.....	301.5	311.6	280.0
Notes payable of Partnership II entities, not direct obligations of Conseco.....	283.2	299.4	331.1
Redeemable preferred stock of a subsidiary of AGP (a component of minority interest).....	99.0	94.0	99.0

- (1) The estimated fair value of the liabilities for investment contracts was approximately equal to its carrying value at December 31, 1995 and 1994. This was because interest rates credited on the vast majority of account balances approximate current rates paid on similar investments and because these rates are not generally guaranteed beyond one year. We are not required to disclose fair values for insurance liabilities, other than those for investment contracts. However, we take into consideration the estimated fair values of all insurance liabilities in our overall management of interest rate risk. We attempt to minimize exposure to changing interest rates by matching investment maturities with amounts due under insurance contracts.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2. ACQUISITIONS/DISPOSITIONS:

CCP Insurance, Inc.

In July 1992, CCP, a newly organized holding company for Partnership I's first three acquisitions, completed an IPO of 8,010,700 shares of common stock. Net proceeds to CCP totaled \$111.2 million. The shares issued in the offering represented a 31 percent ownership interest in the common stock outstanding of CCP. The remaining ownership interest in CCP was held by Consoeco and others who received common stock of CCP in a liquidating distribution from Partnership I.

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

In early 1994, CCP announced a program to repurchase up to 2.0 million shares of its common stock in the open market or through negotiated transactions. In October 1994, CCP expanded the repurchase program to 4.0 million shares. During 1994, CCP acquired 3.5 million shares of its common stock under this program at a cost of \$71.8 million. CCP's repurchases increased Consoeco's ownership interest in CCP to 45 percent at December 31, 1994. In early 1995, CCP repurchased an additional 2.2 million shares under this program for \$44.5 million increasing Consoeco's ownership interest to 49 percent.

In August 1995, we completed the purchase of all of the shares of common stock of CCP we did not previously own. A total of 11.8 million shares were purchased for \$281.8 million (including transaction costs and the cost to settle outstanding stock options of CCP) in a transaction pursuant to which CCP was merged with Consoeco, with Consoeco being the surviving corporation. Income tax expense was reduced by \$8.4 million in the third quarter of 1995 as a result of the release of deferred income taxes previously accrued on income related to CCP. Such deferred tax is no longer required because the CCP Merger was completed without incurring additional tax.

We funded the CCP Merger (including the repayment of our existing \$250.0 million revolving credit facility) with available cash and borrowings from a new \$600.0 million credit facility (the "Credit Agreement"). The sources and uses of the financing to complete the CCP Merger are summarized below (dollars in millions):

Sources of funds:		
Credit Agreement.....		\$530.0
Cash on hand.....		9.7

Total sources.....		\$539.7
	=====	
Uses of funds:		
Purchase of all common equity interest in CCP not owned by Consoeco.....		\$281.8
Repayment of revolving credit facility of Consoeco.....		250.0
Debt issuance, interest and other transaction costs.....		7.9

Total uses.....		\$539.7
	=====	

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The effect of the CCP Merger on the consolidated balance sheet as of the CCP Merger date was as follows (dollars in millions):

Fixed maturities.....	\$ 4,051.3
Mortgage loans.....	230.6
Credit-tenant loans.....	155.8
Investment in CCP.....	(266.1)
Policy loans.....	136.7
Short-term investments.....	200.1
Other investments.....	20.0
Accrued investment income.....	73.2
Cost of policies purchased.....	313.8
Cost of policies produced.....	62.8
Goodwill.....	115.7
Income taxes.....	(80.0)
Insurance liabilities.....	(4,379.0)
Investment borrowings.....	(219.6)
Notes payable.....	(213.7)
Minority interest.....	53.8
Other.....	26.4
 Cash used to acquire shares of CCP.....	\$ 281.8
 =====	=====

Bankers Life Holding Corporation

On November 9, 1992, Partnership I formed BLH to acquire Bankers Life from I.C.H. Corporation ("ICH"). The purchase price of \$600.0 million was funded with the net proceeds of the following securities issued by BLH: (i) \$175.0 million senior notes to a group of lending banks; (ii) \$200.0 million senior subordinated notes; (iii) \$45.0 million payment-in-kind junior subordinated notes (including \$8.3 million provided by Conesco and \$34.7 million provided by ICH); (iv) \$158.3 million of payment-in-kind preferred stock (of which \$108.3 million was provided by Conesco and \$50.0 million was provided by ICH); and (v) \$66.7 million of common stock of BLH, including \$16.7 million directly provided by ICH and \$50.0 million provided by Partnership I (including \$25.5 million provided by Conesco and \$9.6 million provided by ICH). None of the BLH notes are direct obligations of Conesco. As a result of this acquisition, Conesco owned approximately 44 percent of the common equity interest in BLH through its direct investments and investments in Partnership I. For accounting convenience, the acquisition was reported as of November 1, 1992, and Conesco made adjustments to reflect financing costs for the period between that date and the actual date of acquisition, November 9, 1992.

On March 25, 1993, BLH completed an IPO 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, Conesco owned 31 percent of the common shares of BLH. As a result of the offering, Conesco recorded a one-time gain of \$58.8 million (net of tax of \$40.4 million) in the first quarter of 1993, representing Conesco's direct percentage share of the increase in BLH's shareholders' equity account attributable to the proceeds from the offering. In addition, Conesco recorded a gain of \$2.2 million (net of tax of \$.1 million) in the first quarter of 1993, representing Conesco's indirect percentage share (through the Company's ownership of CCP) of CCP's percentage share of the increase in BLH's shareholders' equity account attributable to the proceeds from the offering. The Partnership I agreement provided for incentive compensation to Conesco as the general partner in the event that returns to the limited partners were 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 Conesco of \$22.3 million, net of tax of \$14.3 million.

On September 30, 1993, Conesco acquired 13.3 million shares of BLH common stock from ICH for \$287.6 million. The shares purchased represented 25 percent of BLH's outstanding shares. Conesco paid for these shares by surrendering for redemption \$50.0 million stated value of ICH preferred stock, and by paying \$237.6 million in cash. Conesco funded the cash payment using available cash and the net proceeds from a \$200.0 million senior unsecured loan. As described below, the loan was repaid in February 1994, using the proceeds from the IPO of WNC. The transaction with ICH increased Conesco's ownership of BLH to 56 percent.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In April 1994, BLH announced a program to repurchase up to 2 million of its common shares in open-market or negotiated transactions. During 1994, BLH acquired 1.8 million shares of its common stock under this program at a cost of \$35.7 million. BLH's repurchases increased Conseco's ownership interest in BLH to 58 percent.

On June 28, 1995, we completed the program to acquire additional shares of BLH common stock. A total of 12.8 million shares were purchased for \$262.4 million in open market and negotiated transactions during 1995. The shares purchased represented 24 percent of the then outstanding shares of BLH common stock increasing our ownership of BLH to 82 percent (85 percent including shares of BLH owned by CCP) as of June 30, 1995. We funded the acquisition with available cash, proceeds from our revolving credit agreements and a \$32.0 million loan from CCP. Income tax expense was reduced by \$66.5 million in the second quarter of 1995 as a result of the release of deferred income taxes previously accrued on income related to BLH. Such deferred tax is no longer required since we are permitted to file a consolidated tax return with BLH and the income this tax relates to can be distributed to Conseco without the payment of tax. In addition, BLH repurchased 2.2 million shares of its common stock during 1995 at a cost of \$42.1 million, increasing our ownership interest in BLH to 88 percent as of December 31, 1995 (90.5 percent as of March 5, 1996).

The acquisition of additional shares of BLH common stock by Conseco and share repurchases by BLH in 1995 had the following effects on Conseco's consolidated balance sheet accounts as of the acquisition dates (dollars in millions):

	Acquisition by		
	BLH	Conseco	Total
Cost of policies purchased.....	\$ 17.7	\$162.2	\$179.9
Cost of policies produced	(8.4)	(99.1)	(107.5)
Goodwill.....	11.6	114.3	125.9
Insurance liabilities.....	(2.3)	(24.5)	(26.8)
Income taxes.....	(2.1)	(32.8)	(34.9)
Other.....	(1.9)	(1.8)	(3.7)
Minority interest	27.5	144.1	171.6
	-----	-----	-----
Cash used.....	\$ 42.1	\$262.4	\$304.5
	=====	=====	=====

The closing price of BLH's shares on the New York Stock Exchange on December 31, 1995, was \$20.25 per share, indicating a total fair value of Conseco's investment in BLH of \$904.4 million. Conseco's cost of these shares was \$575.5 million. Shares held by Conseco are not freely tradable, and sale of such shares may require a registration statement with the Securities and Exchange Commission.

Western National Corporation

In connection with the organization of WNC and the transfer of the stock of Western National 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 15, 1994, WNC completed the IPO of 37.2 million shares of its common stock. Of these shares, 2.3 million were new shares sold by WNC and 34.9 million 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. 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) together with some of the proceeds from WNC's IPO of common stock, were used to repay the Conseco Note.

The shares sold by Conseco represented a 60 percent interest in WNC. Net pre-tax proceeds to Conseco from the repayment of the Conseco Note and the sale of WNC shares totaled \$537.3 million. These proceeds were used to repay a \$200 million senior unsecured loan and for other general corporate purposes. In the first quarter of 1994, Conseco reported a gain of approximately \$42.4 million (net of taxes of \$22.9 million) as a result of these transactions.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

On December 23, 1994, Conseco sold its remaining 40 percent interest in WNC to American General Corporation for \$274.4 million in cash, or \$11.00 for each of the 24,947,500 WNC shares owned by Conseco. Conseco recognized a gain from the sale of approximately \$4.1 million, net of taxes of \$11.4 million. Net cash proceeds from the sale were used for general corporate purposes, including the repurchase of common stock of Conseco (see note 10).

The disposition of WNC as a result of the IPO was recorded in the consolidated statement of cash flows as follows (dollars in millions):

Fixed maturities.....	\$ 7,125.7
Mortgage loans.....	97.1
Credit-tenant loans.....	267.8
Investment in WNC.....	(760.9)
Policy loans.....	71.6
Trading account securities.....	60.8
Other investments.....	19.4
Cost of policies purchased.....	61.9
Cost of policies produced.....	84.9
Income taxes.....	12.1
Reinsurance receivables.....	74.9
Insurance liabilities.....	(7,379.9)
Other.....	(87.9)
 Cash held by WNC prior to deconsolidation.....	 (352.5)
 Proceeds received upon disposition of WNC.....	 811.7
 Net cash provided by disposition of WNC.....	 \$ 459.2
	=====

Marketing Distribution Systems Consulting Group, Inc. ("Bankmark")

Conseco acquired all the outstanding common stock of Bankmark in 1993 and 1995 for \$6.6 million. Bankmark is a marketing company which develops marketing relationships with financial institutions to provide insurance and investment products to their customers.

American Life Group, Inc.

On September 29, 1994, Partnership II completed the acquisition of AGP (the "Acquisition"). Under an Agreement and Plan of Merger dated May 1, 1994, AGP merged with a subsidiary of Partnership II. AGP's former stockholders received \$15.25 in cash per common equivalent share. They also received 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 AGP's pending litigation against the U.S. Government concerning AGP's former savings bank subsidiary (the "AGP Litigation").

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Acquisition and related transactions were funded with: (i) \$45.9 million of cash contributions from Partnership II (including \$7.4 million provided by Conesco, \$1.8 million by BLH, and \$1.8 million by CCP); (ii) \$57.0 million in cash from the sale in a private placement of payment-in-kind preferred stock (the "1994 Series PIK Preferred Stock") (including \$25.9 million purchased by BLH and \$24.0 million purchased by CCP, \$3.0 million of which was sold by CCP in December 1994); (iii) \$150.0 million in cash from the sale in a public offering of 11-1/4% Senior Subordinated Notes due 2004 (the "Senior Subordinated Notes"); and (iv) \$200.0 million in cash from a senior secured loan (the "Senior Term Loan"). The sources and uses of this financing are summarized below (dollars in millions):

Sources of funds:			
Senior Term Loan:			
Borrowed upon closing of the Acquisition.....	\$170.0		
To be borrowed upon determination of AGP Litigation	30.0	(i)	
Senior Subordinated Notes.....	150.0		
1994 Series PIK Preferred Stock.....	57.0		
Common equity contribution from Partnership II.....	45.9		

	Total sources.....	\$452.9	
		=====	
Uses of funds:			
Payment of cash consideration to acquire AGP.....	\$314.1	(ii)	
Payment upon determination of AGP Litigation.....	30.1	(i)	
Repayment of bank indebtedness of a subsidiary of AGP.....	55.5	(iii)	
Transaction fees and expenses.....	15.7		
Purchase of surplus note from American Life and Casualty Insurance Company, AGP's principal operating subsidiary.....	24.0		
Cash retained.....	13.5		

	Total uses.....	\$452.9	
		=====	

- (i) In the event of a determination of the AGP Litigation that is unfavorable to AGP, \$30.1 million would be paid to the holders of AGP's 1988 Series I and II Preferred Stock \$1 Par (the "AGP 1988 Series Preferred Stock"). This stock 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 AGP.
- (ii) This amount assumes conversion for redemption of all of AGP's outstanding 6-1/4% Convertible Subordinated Debentures due 2003 (the "Convertible Debentures"). These debentures were convertible into an aggregate of 4,528,125 shares of AGP common stock. At December 31, 1995, \$15.0 million of the Convertible Debentures remained outstanding.
- (iii) A subsidiary of AGP was the borrower under a credit facility having an outstanding balance (including accrued interest and fees) of \$55.5 million at the Acquisition date. This facility was repaid with a portion of the proceeds from the financing.

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

On November 30, 1995, AGP issued 2,142,857 shares of its common stock for \$30.0 million (including \$13.2 million paid by Conesco and its subsidiaries) in a private placement transaction. Eighty percent of the shares were purchased by Partnership II and the remainder were purchased by the other holders of AGP's common stock. The proceeds from the sale were used to reduce the amount of AGP's outstanding debt (see note 8). In accordance with the Partnership II agreement, Conesco earned fees of \$.2 million (net of taxes of \$.1 million) for services in connection with such transaction.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The acquisitions of CCP, BLH, Bankmark and AGP described above were recorded in the consolidated statement of cash flows as follows:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Fixed maturities.....	\$(4,051.3)	\$(3,906.0)	\$ -
Mortgage loans.....	(230.6)	(64.7)	(.6)
Credit-tenant loans.....	(155.8)	-	-
Policy loans.....	(136.7)	(59.1)	-
Short-term investments.....	(200.1)	-	-
Investment in CCP.....	266.1	-	(59.5)
Other investments.....	(20.0)	(51.9)	50.0
Accrued investment income.....	(73.2)	-	-
Cost of policies purchased.....	(502.1)	(454.3)	(118.4)
Cost of policies produced	36.3	-	73.3
Goodwill.....	(189.3)	(355.4)	(154.6)
Income taxes	103.1	(119.9)	14.3
Reinsurance receivables.....	-	(5.6)	-
Cash segregated for future redemption of Convertible Debentures.....	-	(69.1)	-
Securities segregated for future redemption of redeemable preferred stock	-	(35.5)	-
Insurance liabilities.....	4,403.5	4,658.4	11.2
Investment borrowings.....	219.6	-	-
Notes payable.....	213.7	122.0	12.1
Minority interest.....	(197.9)	99.0	(117.8)
Other.....	(29.5)	26.8	(10.9)
	-----	-----	-----
Cash used.....	\$ (544.2)	\$ (215.3)	\$ (300.9)
	=====	=====	=====

The following unaudited pro forma results of operations of the Company are presented as if the following had occurred as of January 1, 1994:
(i) the CCP Merger; (ii) the acquisition of additional shares of BLH common stock in 1995; (iii) the acquisition of AGP by Partnership II; (iv) the IPO of WNC; and
(v) the sale by Conseco of its remaining 40 percent equity interest in WNC.

	1995 (1)	1994(2)
	---	---
(Dollars in millions, except per share amounts)		
Revenues.....	\$2,850.6	\$2,471.7
Income before extraordinary charge.....	166.6	105.4
Net income before extraordinary charge per common share and common equivalent share:		
Primary.....	\$3.44	\$2.05
Fully diluted.....	3.19	2.05
(1) Excluded from pro forma income before extraordinary charge and income before extraordinary charge per fully diluted common share are amounts related to the release of deferred income taxes that are no longer required to be accrued as a result of the CCP Merger and the purchase of additional shares of BLH in 1995 of \$74.9 million and \$1.43, respectively		
(2) Excluded from pro forma total revenues, income before extraordinary charge and income before extraordinary charge per fully diluted common share are \$80.8 million, \$46.5 million and \$.91, respectively, which amounts related to the initial public offering of WNC and the sale of the Company's remaining equity interest in WNC.		

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following unaudited pro forma results of operations of the Company are presented as if the following had occurred as of January 1, 1993: (i) Partnership II's acquisition of AGP; (ii) the IPO of WNC; (iii) the sale by Conseco of its remaining 40 percent equity interest in WNC; (iv) the IPO of BLH; and (v) Conseco's purchases in 1993 of additional shares of BLH and CCP. Prior operations of Bankmark are not included in the following table; the effect is not material.

	1993

	(Dollar in millions, except per share amounts)
Revenues.....	\$2,102.1
Income before extraordinary charge.....	113.4
Earnings before extraordinary charge per common share and common equivalent share:	
Primary	\$ 1.59
Fully diluted.....	1.59

3. INVESTMENTS:

At December 31, 1995, the amortized cost and estimated fair value of actively managed fixed maturities were as follows:

	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.....	\$ 241.3	\$ 16.5	\$ -	\$ 257.8
Obligations of states and political subdivisions.....	47.6	2.0	.1	49.5
Debt securities issued by foreign governments.....	75.1	2.4	1.7	75.8
Public utility securities.....	2,196.1	144.1	11.3	2,328.9
Other corporate securities.....	5,934.6	332.7	35.1	6,232.2
Mortgage-backed securities	3,860.4	165.6	6.9	4,019.1
Total actively managed fixed maturities.....	\$12,355.1	\$663.3	\$55.1	\$12,963.3

The amortized cost and estimated fair value of actively managed fixed maturities were as follows at December 31, 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.....	\$ 360.6	\$.7	\$ 9.5	\$ 351.8
Obligations of states and political subdivisions.....	30.1	.1	1.3	28.9
Debt securities issued by foreign governments.....	83.0	-	2.8	80.2
Public utility securities.....	1,303.7	6.4	83.5	1,226.6
Other corporate securities	2,953.1	11.8	144.4	2,820.5
Mortgage-backed securities.....	2,710.0	6.1	157.0	2,559.1
Total actively managed fixed maturities.....	\$7,440.5	\$25.1	\$398.5	\$7,067.1

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table sets forth the amortized cost and estimated fair value of actively managed fixed maturities as of December 31, 1995, based upon the pricing source used to determine estimated fair value:

	Amortized cost	Estimated fair value
Nationally recognized pricing services.....	\$10,874.8	\$11,431.1
Broker-dealer market makers.....	1,410.5	1,468.8
Internally developed methods (calculated based on a weighted-average current market yield of 12.7 percent).....	69.8	63.4
Total actively managed fixed maturities.....	\$12,355.1	\$12,963.3

The following table sets forth fixed maturity investments at December 31, 1995, classified by rating categories. The category assigned is the highest rating by a nationally recognized statistical rating organization or, as to \$282.9 million fair value of fixed maturities not rated by such firms, the rating assigned by the National Association of Insurance Commissioners ("NAIC"). For purposes of the table, NAIC Class 1 is included in the "A" rating; Class 2, "BBB-"; Class 3, "BB-"; and Classes 4-6, "B+" and below."

Investment rating	Percent of fixed maturities	Percent of total investments
AAA.....	34%	31%
AA.....	11	10
A.....	25	22
BBB+.....	8	7
BBB.....	11	10
BBB-	6	6
-----	---	---
Investment grade.....	95	86
-----	---	--
BB+.....	1	1
BB.....	1	1
BB-.....	2	1
B+ and below.....	1	1
-----	---	---
Below investment grade.....	5	4
-----	---	---
Total fixed maturities.....	100%	90%
====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table sets forth below investment grade fixed maturity investments as of December 31, 1995, summarized by the amount their amortized cost exceeds fair value:

	Amortized cost	Estimated fair value
	----	----
	(Dollars in millions)	
Amortized cost exceeds fair value by 30% or more.....	\$ 4.7	\$ 2.8
Amortized cost exceeds fair value by 15%, but not more than 30%.....	48.5	39.6
Amortized cost exceeds fair value by 5%, but not more than 15%.....	31.8	29.5
All others.....	561.8	575.3
	-----	-----
Total below investment grade fixed maturity investments.....	\$646.8	\$647.2
	=====	=====

The following table sets forth the amortized cost and estimated fair value of actively managed fixed maturities at December 31, 1995, by contractual maturity. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and because most mortgage-backed securities provide for periodic payments throughout their lives.

	Amortized cost	Estimated fair value
	----	----
	(Dollars in millions)	
Due in one year or less.....	\$ 54.0	\$ 54.3
Due after one year through five years.....	1,098.2	1,139.8
Due after five years through ten years.....	3,160.9	3,295.2
Due after ten years.....	4,181.6	4,454.9
	-----	-----
Subtotal.....	8,494.7	8,944.2
Mortgage-backed securities.....	3,860.4	4,019.1
	-----	-----
Total actively managed fixed maturities	\$12,355.1	\$12,963.3
	=====	=====

Equity securities consisted of the following:

	December 31, 1995	December 31, 1994
	-----	-----
	Estimated fair value	Estimated fair value
	Cost	Cost
	-----	-----
	-----	-----
	(Dollars in millions)	
Preferred stock, non-redeemable.....	\$28.4	\$33.3
Common stock.....	6.2	9.7
	-----	-----
Total equity securities.....	\$34.6	\$43.0
	=====	=====
	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Net investment income consisted of the following:

	1995	1994	1993
Fixed maturities.....	\$ 988.6	\$322.6	\$777.6
Equity securities.....	2.8	1.7	7.1
Mortgage loans.....	43.3	17.4	23.2
Credit-tenant loans.....	19.7	4.1	24.2
Policy loans.....	19.4	7.6	11.3
Other.....	17.5	13.3	23.8
Short-term investments.....	26.4	20.5	28.2
Separate accounts.....	28.8	2.6	5.9
	-----	-----	-----
Gross investment income.....	1,146.5	389.8	901.3
Investment expenses.....	3.9	4.1	5.1
	-----	-----	-----
Net investment income.....	\$1,142.6	\$385.7	\$896.2
	=====	=====	=====

The carrying value of fixed maturity investments and mortgage loans not accruing investment income totaled \$1.5 million, \$11.2 million and \$19.6 million at December 31, 1995, 1994 and 1993, respectively.

The proceeds from sales of fixed maturity investments were \$5.8 billion, \$1.9 billion and \$6.5 billion in 1995, 1994 and 1993, respectively. Proceeds from the sales of trading account securities were \$2.1 billion, \$.9 billion and \$10.0 billion in 1995, 1994 and 1993, respectively.

Trading income (losses) from sales of trading account securities, net of investment expenses, were included in revenue as follows:

	1995	1994	1993
	-----	-----	-----
	(Dollars in millions)	(Dollars in millions)	(Dollars in millions)
Gross gains.....	\$17.4	\$ 3.5	\$129.5
Gross losses.....	(.8)	(5.2)	(26.4)
	-----	-----	-----
Net trading income (losses) before expenses.....	16.6	(1.7)	103.1
Trading expenses.....	14.1	3.2	10.0
	-----	-----	-----
Net trading income (losses)	\$ 2.5	\$(4.9)	\$ 93.1
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Realized gains (losses), net of realized gain expenses, were included in revenue as follows:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Fixed maturities:			
Gross gains.....	\$253.4	\$ 12.0	\$214.9
Gross losses.....	(16.7)	(21.3)	(46.6)
Other than temporary decline in fair value.....	(21.9)	(1.0)	(7.9)
	-----	-----	-----
Net realized gains (losses) from fixed maturities before expenses.....	214.8	(10.3)	160.4
Equity securities:			
Mortgages.....	.4	(2.4)	10.4
Other than temporary decline in fair value.....	(2.1)	-	(6.1)
Other.....	(3.0)	-	-
	(1.3)	(2.0)	(2.1)
	-----	-----	-----
Net realized gains (losses) before expenses.....	208.8	(14.7)	162.6
Realized gain expenses.....	22.4	10.9	13.1
	-----	-----	-----
Net realized gains (losses)	\$186.4	\$(25.6)	\$149.5
	=====	=====	=====

Changes in unrealized appreciation (depreciation) on investments were as follows:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Investments carried at fair value:			
Actively managed fixed maturities	\$981.6	\$(668.6)	\$148.8
Equity securities.....	5.4	(3.5)	(6.5)
Other investments.....	(2.7)	(10.9)	14.4
Trading account securities.....	-	-	(3.3)
	-----	-----	-----
	984.3	(683.0)	153.4
Equity in unrealized appreciation (depreciation) of CCP's investments.....	46.2	(70.8)	15.0
Adjustment for effect on other balance sheet accounts:			
Cost of policies purchased	(269.6)	115.9	(5.3)
Cost of policies produced.....	(56.7)	134.3	(65.0)
Insurance liabilities.....	-	39.1	(14.2)
Income tax liabilities.....	(246.5)	151.7	(26.2)
Minority interest.....	(205.3)	75.6	(3.1)
	-----	-----	-----
Change in unrealized appreciation (depreciation) of investments	\$252.4	\$(237.2)	\$ 54.6
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

At December 31, 1995, net appreciation of equity securities (before income tax) was \$2.0 million, consisting of \$3.2 million of appreciation and \$1.2 million of depreciation.

At December 31, 1995, the amortized cost and fair value of fixed maturity investments in default as to the payment of principal or interest totaled \$3.3 million and \$3.2 million, respectively. Conseco recorded writedowns of fixed maturity investments of \$21.9 million in 1995, \$1.0 million in 1994 and \$7.9 million in 1993. These writedowns were the result of changes in conditions which caused the Company to conclude that it would not collect all amounts due according to the terms of the securities.

Investments in mortgage-backed securities at December 31, 1995, included collateralized mortgage obligations ("CMOs") of \$2,055.9 million and mortgage-backed pass-through securities of \$1,963.2 million. CMOs are securities backed by pools of pass-through securities and/or mortgages that are segregated into sections or "tranches." These securities provide for sequential retirement of principal, rather than the pro rata share of principal return which occurs through regular monthly principal payments on pass-through securities.

The following table sets forth the par value, amortized cost and estimated fair value of investments in mortgage-backed securities including CMOs at December 31, 1995, summarized by interest rates on the underlying collateral at December 31, 1995:

	Par value	Amortized cost	Estimated fair value
(Dollars in millions)			
Below 7 percent	\$1,426.8	\$1,351.3	\$1,391.2
7 percent - 8 percent.....	1,922.1	1,837.3	1,924.2
8 percent - 9 percent.....	471.9	452.2	478.9
9 percent and above.....	222.6	219.6	224.8
	-----	-----	-----
Total mortgage-backed securities.....	\$4,043.4	\$3,860.4	\$4,019.1
	=====	=====	=====

The amortized cost and estimated fair value of mortgage-backed securities including CMOs at December 31, 1995, summarized by type of security were as follows (dollars in millions):

Type	Amortized cost	Estimated fair value	
		Amount	Percent of fixed maturities
Pass-throughs and sequential and targeted amortization classes.....	\$2,429.0	\$2,513.0	19%
Support classes.....	65.6	76.6	1
Accrual (Z tranche) bonds.....	40.8	46.6	-
Planned amortization classes and accretion directed bonds.....	1,107.3	1,148.6	9
Subordinated classes	217.7	234.3	2
	-----	-----	---
Total mortgage-backed securities.....	\$3,860.4	\$4,019.1	31%
	=====	=====	==

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

At December 31, 1995, approximately 91 percent of the estimated fair value of Conseco's mortgage-backed securities was determined by nationally recognized pricing services and 9 percent was determined by broker-dealer market makers.

At December 31, 1995, the mortgage loan balance was primarily comprised of commercial loans, including multifamily residential loans. Approximately 40 percent, 9 percent and 7 percent of the mortgage loan balance were on properties located in California, Texas and Indiana, respectively. No other state comprised greater than 6 percent of the mortgage loan balance. Less than 1 percent of the mortgage loan balance was noncurrent at December 31, 1995. At December 31, 1995, the Company had an allowance for loss on mortgage loans of \$5.2 million.

As part of its investment strategy, the Company enters into reverse repurchase agreements and dollar-roll transactions to increase its return on investments and improve its liquidity. These transactions are accounted for as short-term collateralized borrowings. Such borrowings averaged approximately \$393.7 million during 1995 (compared to an average of \$208.0 million during 1994) and were collateralized by investment securities with fair values approximately equal to the loan value. The weighted average interest rate on short-term collateralized borrowings was 5.6 percent in 1995 and 3.7 percent in 1994.

Life insurance companies are required to maintain certain investments on deposit with state regulatory authorities. Such assets had an aggregate carrying value of \$70.4 million at December 31, 1995.

Investments (all of which were actively managed fixed maturities) in any single entity in excess of ten percent of shareholders' equity at December 31, 1995, other than asset-backed securities and investments issued or guaranteed by the United States government or a United States government agency, were as follows:

Investment	Amortized cost	Estimated fair value
-----	-----	-----
Texas Utilities Electric.....	\$112.0	\$118.4
News America Holdings	109.3	116.7

(Dollars in millions)

Asset-backed securities issued by a single entity in excess of ten percent of shareholders' equity at December 31, 1995, other than mortgage-backed securities issued or guaranteed by the United States Government or a United States Government agency, were as follows. Asset-backed securities issued by non-government entities are aggregated by the issuing entity with the number of individual securities (if greater than one) identified parenthetically following the issuer's name. The creditworthiness of such asset-backed securities is based solely on the underlying segregated pools of asset loan collateral and related credit enhancements rather than the general creditworthiness of the issuing entity.

Issuer	Amortized cost	Estimated fair value
-----	-----	-----
Green Tree Financial Corporation (13 issues).....	\$257.4	\$266.6
Prudential Home Mortgage Securities (9 issues).....	173.8	194.7
GE Capital Mortgage Services (7 issues).....	135.1	156.4

(Dollars in millions)

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

4. INVESTMENTS IN UNCONSOLIDATED AFFILIATES:

CCP

See note 2 for a description of transactions affecting Conesco's ownership of CCP. As a result of the CCP Merger, CCP was merged with Conesco and CCP's subsidiaries and are now wholly-owned subsidiaries of Conesco. Effective January 1, 1995, the accounts of CCP are consolidated with those of Conesco. Conesco's investment in CCP for 1994 and 1993 was carried on the equity basis. During 1994 and 1993, Conesco amortized the difference of \$22.8 million between the carrying value of its investment in CCP and the amount of its underlying equity in net assets on the straight-line basis over a 40-year period.

In 1994, CCP repaid its senior loan using a portion of the proceeds of a public offering of \$200 million 10.5 percent senior notes due 2004. This repayment resulted in an extraordinary charge of \$2.1 million to Conesco in 1994.

The following tables summarize financial information of CCP for the periods during which CCP and its subsidiaries were included in Conesco's financial statements on the equity basis:

	1994	---
	(Dollars in millions)	
Financial position:		
Total assets.....	\$4,960.3	
Total investments.....	4,292.3	
Cost of policies purchased.....	345.2	
Cost of policies produced.....	111.9	
Total liabilities.....	4,579.4	
Insurance liabilities.....	4,243.1	
Investment borrowings.....	-	
Notes payable.....	196.8	
Common shareholders' equity.....	380.9	
Amounts recorded by Conesco:		
Investment in CCP.....	\$ 195.4	

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	1994	1993
	----	----
	(Dollars in millions)	
Results of operations:		
Total revenues.....	\$484.3	\$632.5
Insurance policy income.....	114.5	127.8
Investment activity:		
Net investment income.....	367.8	412.9
Net trading income (losses).....	(.9)	24.3
Net realized gains.....	2.9	55.8
Total benefits and expenses.....	383.9	459.0
Interest expense on annuities and financial products.....	208.6	243.5
Interest expense on long-term debt.....	10.7	16.1
Income before income taxes and extraordinary charge.....	100.4	173.5
Income tax expense.....	37.4	65.9
Income before extraordinary charge.....	63.0	107.6
Extraordinary charge on extinguishment of debt, net of tax.....	4.9	-
Net income.....	58.1	107.6
Amounts recorded by Conseco:		
Equity in earnings before extraordinary charge.....	\$24.7	\$37.4
Fees received for services provided by Conseco to CCP.....	12.0	10.6
Extraordinary charge.....	2.1	-
Dividends received.....	.9	.8

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

WNC

See note 2 for a description of transactions affecting Conseco's ownership of WNC. The following summarizes selected account balances of WNC. All 1993 amounts were consolidated with the Company's accounts and 1994 amounts were included on the equity basis.

	1994	1993
	Included in Conseco's Accounts	Total WNC
	-----	-----
(Dollars in millions)		
Results of operations:		
Total revenues.....	\$40.2	\$774.2
Insurance policy income.....	-	21.8
Investment activity:		
Net investment income.....	-	610.1
Net trading income.....	-	49.6
Net realized gains (losses).....	-	92.7
Equity in earnings of WNC.....	40.2	-
Total benefits and expenses.....	-	569.7
Insurance policy benefits.....	-	101.9
Interest expense on annuities and financial products.....	-	333.1
Income before income taxes.....	40.2	204.5
Income tax expense.....	1.6	74.5
Net income	38.6	130.0

In 1994, the Company received fees totaling \$16.3 million for services provided by Conseco to WNC. Conseco also received dividends on WNC common stock totaling \$3.0 million in 1994.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

5. INSURANCE LIABILITIES:

Insurance liabilities consisted of the following:

	Withdrawal assumption	Mortality assumption	Interest rate assumption	1995	1994
----- (Dollars in millions)					
Future policy benefits:					
Investment contracts.....	N/A	N/A	(c)	\$9,628.9	\$5,773.7
Limited-payment contracts.....	None	(a)	7%	695.8	518.8
Traditional life insurance contracts.....	Company experience	(b)	7%	646.0	461.5
Universal life-type contracts.....	N/A	N/A	5%	1,008.8	543.8
Individual accident and health	Company experience	Company experience	7%	649.5	568.2
Group life and health.....	N/A	N/A	N/A	44.1	20.1
Unearned premiums.....	N/A	N/A	N/A	187.9	192.7
Claims payable and other policyholders' funds	N/A	N/A	N/A	517.4	458.6
----- -----					
Total insurance liabilities.....				\$13,378.4	\$8,537.4
===== =====					

(a) Principally the 1984 United States Population Table.

(b) Principally modifications of the 1965 - 70 Basic, Select and Ultimate Tables.

(c) In 1995 and 1994: (i) approximately 96 percent and 99 percent of this liability, respectively, represented account balances where future benefits are not guaranteed; and (ii) 4 percent and 1 percent, respectively, represented the present value of guaranteed future benefits determined using an average interest rate of approximately 7 percent.

Participating policies represented approximately 12 percent, 8 percent and 11 percent of total life insurance in force at December 31, 1995, 1994 and 1993, respectively. Participating policies represented approximately 1 percent, 2 percent and 3 percent of premium income for 1995, 1994 and 1993, respectively. Dividends on participating policies amounted to \$12.3 million, \$12.0 million and \$16.0 million in 1995, 1994 and 1993, respectively.

The sale of fixed maturity investments during 1993 reduced the expected future yields on the investment of policyholder balances to the extent that projected future cash flows on certain products were insufficient to cover future benefits and expenses. Accordingly, Conseco established additional estimated insurance liabilities of \$37.1 million by a charge to change in future policy benefits related to realized gains.

6. REINSURANCE:

Cost of reinsurance ceded where the reinsured policy contains mortality risks totaled \$72.6 million, \$33.4 million and \$35.8 million in 1995, 1994 and 1993, respectively. This cost was deducted from insurance premium revenue. Conseco is contingently liable for claims reinsured if the assuming company is unable to pay. Reinsurance recoveries netted against insurance policy benefits totaled \$59.8 million, \$23.7 million and \$31.0 million in 1995, 1994 and 1993, respectively.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Company has ceded certain policy liabilities under assumption reinsurance agreements. Since all of Conseco's obligations under the insurance contracts have been ceded to another company, insurance liabilities related to such policies were not reported in the balance sheet. Conseco believes the assuming companies are able to honor all contractual commitments under the assumption reinsurance agreements, based on its periodic reviews of financial statements, insurance industry reports and reports filed with state insurance departments.

Effective April 1, 1994, BLH recaptured certain annuity business previously ceded to an unaffiliated company and retroceded to an affiliate of ICH. The excess of liabilities assumed of \$390.2 million over assets acquired of \$371.0 million was capitalized as a component of cost of policies purchased. Reserves related to these policies totaling \$398.5 million were included in reinsurance receivables at December 31, 1993.

Effective October 1, 1995, WNC recaptured certain annuity business ceded to Great American Reserve through a reinsurance agreement. Reserves related to these policies totaled \$72.8 million. Recapture fees of \$.7 million were recognized as income during the fourth quarter of 1995.

At December 31, 1995, Conseco's largest reinsurer accounted for less than .06 percent of total insurance liabilities and less than 9 percent of total reinsurance receivables.

7. INCOME TAXES:

Income tax assets (liabilities) were comprised of the following:

	1995	1994
	----	----
	(Dollars in millions)	
Deferred income tax assets (liabilities):		
Investments.....	\$ 16.8	\$ 58.9
Cost of policies purchased and cost of policies produced.....	(383.4)	(380.7)
Insurance liabilities.....	345.6	257.2
Unrealized depreciation (appreciation).....	(138.4)	109.0
Net operating loss carry forward.....	142.9	110.0
Other.....	(53.7)	34.5
	-----	-----
Deferred income tax assets (liabilities).....	(70.2)	188.9
Current income tax assets (liabilities).....	(23.1)	6.3
	-----	-----
Income tax assets (liabilities).....	\$ (93.3)	\$195.2
	=====	=====

Income tax expense was as follows:

	1995	1994	1993
	----	----	----
	(Dollars in millions)		
Current tax provision.....	\$121.0	\$ 78.6	\$162.9
Deferred tax provision.....	(34.0)	32.4	60.2
	-----	-----	-----
Income tax expense.....	\$ 87.0	\$111.0	\$223.1
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Income tax expense differed from that computed at the applicable federal statutory rate (35 percent) for the following reasons:

	1995	1994	1993
	-----	-----	-----
(Dollars in millions)			
Tax on income before income taxes at statutory rate.....	\$146.5	\$113.5	\$213.6
Additional tax on unrealized gains and income from prior periods related to increase in corporate income tax rate.....	-	-	3.3
Nontaxable investment income.....	-	-	(.1)
Dividend received deduction on equity in earnings of non-consolidated affiliates.....	-	(13.7)	(9.7)
Tax on undistributed earnings of consolidated subsidiaries.....	2.5	5.5	2.3
Reversal of deferred tax liabilities as a result of CCP merger.....	(8.4)	-	-
Reversal of deferred tax liabilities as a result of the increase in ownership of BLH.....	(66.5)	-	-
Nondeductible items.....	8.8	4.5	2.2
State taxes.....	.3	3.1	11.9
Other.....	3.8	(1.9)	(.4)
	-----	-----	-----
Income tax expense.....	\$ 87.0	\$111.0	\$223.1
	=====	=====	=====

The Omnibus Budget Reconciliation Act of 1993 (the "Act") was enacted on August 10, 1993. The most significant provision of the Act affecting the Company was the increase in the corporate income tax rate to 35 percent from 34 percent, effective for taxable income reported for the year 1993. As a result of the increase in the tax rate in 1993, the Company recognized additional tax expense of \$8.9 million, consisting of: (i) \$5.6 million related to 1993 income; (ii) \$1.9 million related to a one-time adjustment of accumulated deferred taxes relating to prior years' income; and (iii) \$1.4 million related to unrealized appreciation of securities at the date the new law was enacted. In addition, Conseco's equity in earnings of CCP was reduced by \$1.6 million as a result of the Company's share of the additional tax expense recorded by CCP because of the increase in the tax rate. The impact of other provisions of the Act was not material to the Company.

At December 31, 1995, Conseco had federal income tax loss carryforwards of \$408.3 million available (subject to various statutory restrictions) for use on future tax returns. Portions of these carryforwards begin expiring in 1999. Of the loss carryforwards, \$41.8 million may be used to offset income only from the non-life insurance companies and \$51.0 million may be used to offset income only from AGP's life insurance subsidiaries. None of the carryforwards are available to reduce the tax provision for financial reporting purposes. With respect to determining that the Company's net operating loss carryforward will be fully utilized, the Company is relying upon its past history of earnings.

The IRS has completed its examination of the Company for years through 1992 and is currently conducting an examination for years 1993 through 1994. All amounts due determined by completed examinations have been either paid or accrued.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

8. NOTES PAYABLE:

Notes payable that are direct obligations of the Company at December 31, 1995 and 1994, were as follows:

	Principal amount		Amount outstanding net of unamortized discount and issuance costs at December 31,		Estimated fair value at December 31,	
	Initially issued	Outstanding at December 31,	1995	1994	1995	1994
			1995	1994	1995	1994
(Dollars in millions)						
Issued August 1995.....	\$530.0	\$480.0	\$ -	\$465.9	\$ -	\$ 480.0
Issued by CCP in December 1994.....	200.0	200.0	-	213.4	-	217.0
Issued February 1993.....	200.0	195.0	195.0	192.1	191.8	193.3
Total.....	\$875.0	\$195.0	\$871.4	\$191.8	\$890.3	\$173.6
	=====	=====	=====	=====	=====	=====

In August 1995, the Company executed a \$600 million Credit Agreement with a group of banks to finance the CCP Merger and to repay the \$250.0 million principal amount outstanding under another credit agreement (which amount was borrowed in 1995 primarily to finance the purchase of BLH common stock by Conseco). The Credit Agreement has two tranches. One tranche permits maximum principal borrowings of \$350.0 million ("Tranche A") and the other tranche permits maximum principal borrowings of \$250.0 million ("Tranche B"). On the CCP Merger date, the Company borrowed \$280.0 million under Tranche A and \$250.0 million under Tranche B.

Tranche A and Tranche B borrowings bear interest based on either an offshore rate or a base rate. Offshore rates are equal to the reserve adjusted Interbank Offered Rate plus an applicable margin based on: (i) our aggregate outstanding bank debt; and (ii) the rating of our senior notes by Moody's and Standard & Poor's. Such margin varies from .75 percent to 1.75 percent. Base rates are equal to the bank's reference rate plus the offshore rate margin less 1.25 percent (provided such margin is not less than zero). At December 31, 1995, borrowings under Tranche A and Tranche B bear interest at a weighted average interest rate of 7.47 percent and 7.32 percent, respectively.

Maximum borrowings under Tranche A are reduced (requiring principal payments if current borrowings exceed maximum borrowings) as follows: 1997 - \$30.0 million; 1998 - \$50.0 million; 1999 - \$65.0 million; 2000 - \$65.0 million; and 2001 - \$140.0 million. Tranche B borrowings are due in 1999; such date may be extended to 2001 subject to defined conditions.

Mandatory prepayments are required as follows: (i) from 50 percent of excess cash flow as defined commencing for the year 1997; (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 Conseco or any of its subsidiaries. The Credit Agreement also requires that any mandatory prepayments shall reduce the maximum borrowings permitted under the Credit Agreement by the amount of such prepayment. The Credit Agreement has as collateral, among other things, pledges of the capital stock of Conseco's subsidiaries.

In the fourth quarter of 1995, we repaid \$50 million principal amount of borrowings under the Credit Agreement. On January 23, 1996, we repaid \$245 million principal amount of borrowings under the Credit Agreement using the proceeds of the sale of convertible preferred stock (see note 16) and the maximum amount which may be borrowed under Tranche A was reduced to \$250 million and future reductions were changed to: 1997 - \$21.4 million; 1998 - \$35.7 million; 1999 - \$46.4 million; 2000 - \$46.5 million; and 2001 - \$100.0 million.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As the result of the CCP Merger, CCP's \$200 million 10.5 percent senior notes due in 2004 became direct obligations of Conseco. The notes are unsecured and rank pari passu with all other unsecured and unsubordinated indebtedness of Conseco. The notes are not redeemable prior to maturity and are publicly traded on the New York Stock Exchange.

In February 1993, the Company completed a public offering of \$200 million of 8.125% senior notes due in 2003. The notes are unsecured and rank pari passu with all other unsecured and unsubordinated indebtedness of the Company. The notes are not redeemable prior to maturity. Proceeds from the offering of approximately \$195.6 million (after original issue discount and other associated costs) were used to repurchase in open market transactions or redeem the remaining outstanding 12.75 percent senior subordinated notes issued in July 1987, and for general corporate purposes. The repurchase and redemption of the senior subordinated notes resulted in an extraordinary charge of \$8.4 million, net of a \$4.3 million tax benefit, in 1993.

On February 15, 1994, the Company repaid a \$200 million senior unsecured loan, resulting in an extraordinary charge of \$1.2 million (net of a \$.6 million tax benefit). In 1994 and 1993, the Company repaid the remaining principal balances outstanding on the promissory notes executed as part of the acquisition of National Fidelity resulting in an extraordinary charge of \$.8 million (net of a \$.4 million tax benefit) in 1994 and \$.4 million (net of a \$.3 million tax benefit) in 1993.

At December 31, 1995, notes payable of BLH, which are not direct obligations of Conseco, were as follows:

	Principal amount		Amount outstanding net of unamortized discount and issuance costs at December 31,		Estimated fair value at December 31,	
	Outstanding at December 31,		1995	1994	1995	1994
	Initially issued	1995	1994	1995	1994	1995
(Dollars in millions)						
Bridge loan facility.....	\$110.0	\$110.0	\$ -	\$110.0	\$ -	\$110.0
Senior subordinated notes.....	200.0	180.0	180.0	191.5	183.6	201.6
Senior term loan.....	175.0	-	99.0	-	96.4	-
Total.....	\$290.0	\$279.0		\$301.5	\$280.0	\$311.6

As part of its planned debt restructuring, BLH entered into a \$110.0 million bridge loan facility in December 1995. Borrowings under the facility bear interest based on a Base Rate or LIBOR Rate, as defined. Such rate in effect at December 31, 1995 was 6.75 percent. BLH used proceeds from the bridge facility to repay and retire the senior term loan. Conseco recognized an extraordinary charge of \$1.0 million (net of a \$.5 million tax benefit) related to such repayments. In February 1996, the bridge facility was replaced by a new credit agreement (see note 16).

BLH's \$200.0 million senior subordinated notes bear interest at 13 percent. The notes are due November 1, 2002, and may be redeemed, at BLH's option, on or after November 1, 1997, at a redemption price initially at 106.5 percent and declining thereafter. In December 1993, BLH repurchased \$20.0 million of the notes in open market transactions for \$24.0 million, resulting in an extraordinary charge of \$3.1 million, net of tax benefit. Conseco's share of this charge (\$1.0 million) was included as an extraordinary charge in the consolidated financial statements. In March 1996, BLH redeemed \$148.0 million principal amount of these notes pursuant to a tender offer (see note 16).

BLH issued \$36.7 million of paid-in-kind ("PIK") subordinated notes in connection with its acquisition by Partnership I. In 1993, BLH retired all of its PIK subordinated notes totaling \$38.3 million and prepaid \$55.0 million of its senior term loan. Repayment of this debt resulted in an extraordinary charge for BLH of \$4.8 million, net of a \$2.5 million tax benefit, in 1993. Conseco's share of this charge (\$2.1 million) was included as an extraordinary charge in the consolidated financial statements.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

At December 31, 1995, notes payable of Partnership II entities, which are not direct obligations of Consoeco, were as follows:

	Principal amount				Amount outstanding net of unamortized discount and issuance costs at December 31,		Estimated fair value at December 31,	
	Outstanding as of Acquisition date	Outstanding at December 31, 1994	1995	1994	1995	1994	1995	1994
	-----	-----	-----	-----	-----	-----	-----	-----
(Dollars in millions)								
Senior Credit Facility.....	\$ -	\$125.0	\$ -	\$123.5	\$ -	\$125.0	\$ -	
Senior term loan.....	170.0	-	170.0	-	163.1	-	170.0	
Senior subordinated notes.....	150.0	150.0	150.0	144.7	143.8	159.4	145.5	
Convertible subordinated debentures	69.0	15.0	24.2	15.0	24.2	15.0	24.2	
	-----	-----	-----	-----	-----	-----	-----	-----
Total.....		\$290.0	\$344.2	\$283.2	\$331.1	\$299.4	\$339.7	
	=====	=====	=====	=====	=====	=====	=====	=====

In connection with the financing of the Acquisition, a subsidiary of AGP executed a \$200 million senior term loan with a group of banks. In 1995, the AGP subsidiary made a \$15.0 million scheduled payment and a \$30.0 million unscheduled payment on the senior term loan. The \$30.0 million unscheduled payment was made using the proceeds from the issuance of additional shares of AGP common stock. In addition, the AGP subsidiary executed a \$225 million credit facility (the "Senior Credit Facility") and simultaneously borrowed \$125.0 million. Such proceeds were used for the repayment in full of the remaining principal balance under the existing senior term loan. Consoeco recognized an extraordinary charge of \$1.1 million (net of \$1.0 million income tax benefit) related to such repayments.

The Senior Credit Facility provides \$225 million comprised of two tranches: the first providing maximum borrowings of \$105 million ("Tranche One"), and the second providing maximum borrowings under a term loan of \$20 million and a revolving credit facility of \$100 million ("Tranche Two"). ALHC borrowed \$105.0 million under the Tranche One facility and \$20.0 million under the Tranche Two facility. No amounts were drawn under the revolving credit facility during 1995.

Tranche One and Tranche Two borrowings bear interest based on a Base Rate or an Offshore Rate, as defined, plus an applicable margin which varies based on the AGP subsidiary's long-term senior debt rating. Such rates selected at December 31, 1995 were 7.32 percent for Tranche One and 7.82 percent for Tranche Two.

Unless otherwise extended, the revolving credit agreement will mature, and all principal and interest thereon will become due and payable in October 1998. The revolving credit agreement may be extended in one year increments through October 2001, subject to defined conditions.

The Senior Credit Facility provides for mandatory prepayments under certain conditions and is collateralized by, among other things: (i) pledges of the capital stock of AGP's subsidiaries and a surplus note issued by American Life and Casualty Insurance Company ("American Life," AGP's primary operating subsidiary) held by an AGP subsidiary; and (ii) the assignment of investment advisory agreements among AGP's principal subsidiaries and a subsidiary of Consoeco. Borrowings under the credit agreement are unconditionally guaranteed by AGP and a non-insurance subsidiary of AGP.

In connection with the financing of the Acquisition, the AGP subsidiary issued \$150 million of senior subordinated notes in a public offering. The senior subordinated notes bear interest at 11.25 percent and will mature in September 2004. Such notes are unsecured and will be subordinated in the right of payment to the prior payment in full of all senior indebtedness, including the AGP subsidiary's obligations under the Senior Credit Facility. The senior subordinated notes are redeemable at the option of the AGP subsidiary, 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.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

On the Acquisition date, AGP's notes payable included \$69.0 million par value convertible subordinated debentures ("Debentures") due 2003. The Debentures bear interest at 6.25 percent. Prior to the Acquisition, the Debentures were convertible into shares of AGP's common stock at a conversion ratio of 65.625 shares of common stock for each \$1,000 principal amount of Debentures. 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 AGP common stock for each share of AGP common stock into which such securities were convertible prior to the Acquisition. Through December 31, 1995, Debentures with a principal amount of \$54.0 million have been redeemed. The Debentures are redeemable, in whole or in part, at the option of AGP, at any time, on or after May 1, 1996, initially at 106 percent of the principal amount and declining to 100 percent of the principal amount on or after May 1, 1999. The requirement to hold funds in escrow for the conversion of the outstanding convertible debentures was eliminated upon execution of the Senior Credit Facility and repayment of the senior term loan.

Principal amounts by maturity dates of the various notes, including the effects of the transactions which occurred after December 31, 1995, as described in note 16, were as follows:

Maturity date	Notes payable of			Total
	Notes payable of Conseco	BLH	Partnership II entities	
(Dollars in millions)				
1996.....	\$ -	\$ -	\$ -	\$ -
1997.....	-	-	.3	.3
1998.....	-	-	15.3	15.3
1999.....	235.0(a)	-	20.3	50.3
2000.....	-	-	20.3	85.3
Thereafter.....	395.0	342.0	233.8	1,110.8
 Changes in total par value as a result of transactions which occurred after December 31, 1995.....				
	245.0(b)	(52.0)(c)	-	193.0
Total par value at December 31, 1995.....	\$875.0	\$290.0	\$290.0	\$1,455.0

- (a) Such maturity date (which relates to Tranche B borrowings under the Credit Agreement) may be extended to 2001, subject to defined conditions. The Company is in the process of amending the Credit Agreement, which is expected to result in a 2001 maturity date for all borrowings under the amended Credit Agreement.
- (b) As described in note 16, we repaid \$245 million principal amount of borrowings under the credit agreement using the proceeds from the sale of convertible preferred stock.
- (c) As described in note 16, BLH entered into a new credit agreement in February 1996. In March 1996, BLH borrowed \$310.0 million under the credit facility: (i) to repay \$110 million principal amount outstanding under the bridge loan facility; (ii) to repurchase \$148.0 million principal amount of its senior subordinated notes pursuant to a tender offer; and (iii) for general corporate purposes.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

9. OTHER DISCLOSURES:

Leases

The Company rents office space, equipment and computer software under noncancelable operating leases. Rental expense during 1995, 1994 and 1993, amounted to \$20.8 million, \$18.8 million and \$11.9 million, respectively. Future required minimum rental payments as of December 31, 1995, were as follows (dollars in millions):

1996	\$ 17.2
1997	16.0
1998	15.0
1999	13.3
2000	12.3
Thereafter.....	62.3

Total.....	\$136.1
	=====

Employment Arrangements

Some officers of the Company are employed pursuant to long-term employment agreements. One of these agreements provides for a base salary plus an annual bonus equal to 3 percent of the Company's consolidated defined pretax profits. This agreement renews annually for a five-year period unless either party notifies the other, in which case the agreement expires five years from the last renewal date. Additionally, a \$1.9 million interest-free loan has been granted to the officer. Repayment is due two years after termination of the officer's employment contract.

The agreements described above also include provisions pursuant to which the employee may elect to receive, in the event of a termination of the agreement following a change in control of the Company (as defined), a severance allowance equal to 60 months' salary, bonus and other benefits. The employee also may elect to have the Company purchase all Conseco stock and all options to purchase Consecos stock, without deduction of the applicable exercise prices, held by such person at a price per share equal to the highest market price in the preceding six months.

The Company has qualified defined contribution plans in which substantially all employees of the Company's wholly owned subsidiaries, BLH and AGP are eligible to participate. Company contributions, which match certain voluntary employee contributions to the plan, totaled \$2.2 million, \$1.7 million and \$1.4 million in the years ended December 31, 1995, 1994 and 1993, respectively, and may be made in cash or the Company's common stock.

The Company also has a stock bonus and deferred compensation program for certain officers and directors of Consecos and its wholly owned subsidiaries whereby the participants may voluntarily defer a portion of their compensation. Company contributions vary based on the profitability of the Company and the amount of compensation voluntarily deferred by each participant. Each year's contribution, which is fully funded in the form of Consecos common stock, vests five years later or upon certain other events. The cost of the program is charged to expense over the vesting period and amounted to \$3.7 million, \$1.4 million and \$2.3 million in 1995, 1994 and 1993, respectively. The market value of Consecos common stock held under the program (included in other assets and other liabilities) was \$46.0 million and \$29.9 million at December 31, 1995, and 1994, respectively.

BLH has a noncontributory, unfunded deferred compensation plan for qualifying members of its career agency force. Benefits are based on years of service and career earnings. The liability recognized in the consolidated balance sheet for the agents' deferred compensation plan was \$32.2 million and \$29.5 million at December 31, 1995 and 1994, respectively, substantially all of which represents vested benefits. Costs incurred on this plan, primarily representing interest on unfunded benefit costs, were \$2.8 million, \$2.7 million and \$2.8 million during 1995, 1994 and 1993, respectively.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

BLH also provides certain health care and life insurance benefits for eligible retired employees. Benefits are provided under a contributory unfunded plan which includes cost-sharing features determined at the discretion of management. During 1994 and 1993, several modifications were made to postretirement benefit plans that: (i) established cost-sharing for certain future retirees; (ii) established maximum annual costs and benefits; and (iii) revised certain other benefits. Such changes made in 1993 resulted in a \$45.0 million decrease in the accumulated postretirement benefit obligation ("APBO"). As a result, the APBO was reduced \$27.6 million, goodwill was reduced by \$17.9 million and deferred income tax liability was increased by \$9.7 million. The remaining 1993 changes resulted in an unrecognized net reduction in prior service costs of \$11.9 million and an unrecognized gain of \$2.0 million. Such changes made in 1994 resulted in a \$9.2 million amendment gain and \$5.2 million curtailment gain. The amendment gain is amortized over the remaining service period of active plan participants. The curtailment gain is included in other income. Amounts related to the postretirement benefit plan consisted of the following:

	1995	1994
	---	---
(Dollars in millions)		
Retirees.....	\$ 5.2	\$ 5.8
Fully eligible active plan participants.....	1.9	1.9
Other active plan participants.....	.7	.6
Total APBO.....	7.8	8.3
Unrecognized net reduction in prior service costs.....	6.1	14.2
Unrecognized net gain.....	.8	1.8
Accrued liability included in other liabilities.....	\$14.7	\$24.3
	=====	=====

The net cost of providing these benefits, included in other operating expenses, was comprised of the following:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Service cost.....	\$.1	\$.1	\$1.1
Interest cost.....	.7	1.2	1.4
Amortization.....	(2.1)	(1.7)	(.4)
Net periodic cost.....	\$(1.3)	\$(.4)	\$2.1
	=====	=====	=====

The discount rates used in determining the accumulated postretirement benefit obligation were 7 percent and 8 percent at December 31, 1995 and 1994, respectively. Future increases in salaries and the assumed health care cost trend rates produce no change in the accumulated postretirement benefit obligation at December 31, 1995 and 1994, because of the employer's maximum cost sharing provisions discussed above.

BLH has a stock option plan which authorizes the grant to employees or directors of options to purchase shares of common stock. A maximum of 3.5 million shares of common stock may be issued under options and related rights granted under the plan. The exercise price may not be less than the fair market value of the underlying shares on the date of the grant. Options may become exercisable immediately or over a period of time and remain exercisable for up to 10 years after grant. At December 31, 1995, options for a total of 1,157,800 shares at prices between \$20.00 and \$23.63 were outstanding of which 163,660 options were exercisable and approximately 2.3 million shares were available for future grant. The plan also authorizes the issuance of stock appreciation rights or limited rights (rights exercisable only in the event of a tender offer for or acquisition of 25 percent or more of BLH's outstanding common stock), but none have been granted.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Litigation

From time to time, the Company and its subsidiaries are involved in lawsuits which are related to their operations. In most cases, such lawsuits involve claims under insurance policies or other contracts of the Company. Even though the Company may be contesting the validity or extent of its liability in response to such lawsuits, the Company has established reserves in its consolidated financial statements which approximate its estimated potential liability. Accordingly, none of the lawsuits currently pending, either individually or in the aggregate, is expected to have a material effect on the Company's consolidated financial condition or results of operations.

Guaranty Fund Assessments

From time to time, mandatory assessments are levied on the Company's insurance subsidiaries by life and health guaranty associations of most states in which these subsidiaries are licensed. These assessments are to cover losses to policyholders of insolvent or rehabilitated insurance companies. The associations levy assessments (up to prescribed limits) on all insurers in a particular state in order to pay claims on the basis of the proportionate share of premiums written by insurers in the lines of business in which the insolvent or rehabilitated insurer is engaged. These assessments may be deferred or forgiven in certain states if they would threaten an insurer's financial strength and, in some states, these assessments can be partially recovered through a reduction in future premium taxes. The balance sheet at December 31, 1995, includes accruals of \$16.6 million, which approximate the Company's estimate of all known assessments that will be levied against the Company's insurance subsidiaries by various state guaranty associations based on premiums that have been written through December 31, 1995. Such estimate is subject to change as the associations determine more precisely the losses that have occurred and how such losses will be allocated to insurance companies. The Company's cost for such assessments incurred by its insurance company subsidiaries and equity investees was \$3.2 million in 1995, \$8.0 million in 1994 and \$2.9 million in 1993.

Interest Rate Swap Agreements

Prior to the Acquisition, AGP entered into several contracts to hedge interest rate risks. At the date of the Acquisition, these contracts had ceased to effectively hedge the risks and were recorded at their fair value pursuant to purchase accounting. All such contracts were terminated in 1994 and 1995, with no significant gain or loss recognized. The contracts were carried in the balance sheet as a liability at their fair value of \$10.6 million at December 31, 1994.

Expenses Related to Terminated Merger Agreement

In November 1994, Conseco and another company agreed to terminate a merger agreement. Conseco incurred pre-tax expenses totaling approximately \$35.8 million including: (i) \$15.1 million of fees to banks for financing commitments; (ii) \$9.8 million loss on the decline in fair value of common stock acquired by Conseco in connection with the proposed merger; and (iii) \$10.9 million of legal, accounting and actuarial fees and other expenses.

Minority Interest

Minority interest represents the interest of investors other than Conseco in BLH and Partnership II and its subsidiaries. Minority interest at December 31, 1995, included: (i) \$73.4 million interest in the common stock of BLH; (ii) \$99.0 million interest in the redeemable preferred stock of a subsidiary of AGP; (iii) \$11.7 million interest in the AGP 1994 Series PIK Preferred Stock; and (iv) \$219.2 million interest in the limited partnership and common stock of Partnership II and its subsidiaries.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Changes in minority interest during 1995 and 1994 are summarized below:

	1995	1994
	-----	-----
Minority interest, beginning of year.....	\$321.7	\$223.8
Consolidation of CCP, effective January 1, 1995.....	191.2	-
Changes in investments held by minority interest:		
Purchase of BLH common stock by Conseco.....	(141.8)	-
Repurchase by BLH of its common stock	(27.7)	(35.7)
Repurchase by CCP of its common stock.....	(44.5)	-
Purchase of CCP common stock in the CCP Merger.....	(241.7)	-
Conseco's additional ownership interest in BLH and AGP as a result of the CCP Merger.....	(53.8)	-
Redeemable preferred stock of a subsidiary of AGP outstanding at the Acquisition date (i).....	-	99.0
Investment in AGP common stock.....	.5	-
Investment in AGP 1994 Series PIK Preferred Stock (ii).....	-	31.1
Investment in Partnership II (ii).....	16.3	36.9
Other	1.6	(2.9)
Equity of minority interest in the change in financial position of the Company's subsidiaries:		
Net income before extraordinary charge.....	109.0	59.0
Extraordinary charge.....	(2.8)	-
Unrealized appreciation (depreciation) of securities	292.4	(75.6)
Dividends.....	(17.1)	(13.9)
	-----	-----
Minority interest, end of year	\$403.3	\$321.7
	=====	=====

(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 per annum 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 per annum 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 U.S. Government bonds have been placed in an escrow account to be used for the future redemption of the \$2.16 Preferred Shares and the \$2.32 Preferred Shares on or before their mandatory redemption dates. The aggregate redemption values and the maturity dates of such 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. At December 31, 1995, the bonds had an amortized cost of \$39.2 million and an estimated fair value of \$50.1 million.

(ii) See the description of the Acquisition and AGP's sale of common stock in 1995 in note 2.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

10. SHAREHOLDERS' EQUITY:

Authorized preferred stock is 20,000,000 shares. Conseco issued 100,000 shares of \$55 Series B Redeemable Preferred Stock ("Series B preferred stock") with a stated value of \$50.0 million (\$500 per share) in 1987 and redeemed all of the shares at stated value in 1993. Conseco issued 5,750,000 shares of Series D Cumulative Convertible Preferred Stock ("Series D preferred stock") with a stated value of \$287.5 million (\$50 per share) in January 1993 in a public offering. Annual dividends of \$3.25 on each Series D preferred share are cumulative from the date of original issue and are payable quarterly. The Series D preferred stock is convertible at the holder's option into shares of Conseco's common stock at a conversion price of \$31.875 per share, equivalent to a ratio of approximately 1.5686 shares of common stock for each share of preferred stock. Proceeds from the offering of approximately \$278.5 million (after underwriting and other associated costs) were used to redeem the Series B preferred stock and were added to the Company's general funds. During 1993, 274 Series D preferred shares were converted to 430 common shares. In 1994 and 1995, no Series D preferred shares were converted to common shares. In December 1994, the Company repurchased 80,000 Series D preferred shares in open market transactions in connection with its stock repurchase program at a total cost of \$3.3 million. Such preferred shares would have been convertible into 125,490 shares of common stock.

Changes in the number of shares of common stock outstanding for the years 1995, 1994 and 1993 were as follows:

	1995	1994	1993
Balance, beginning of year.....	44,369,700	50,623,546	49,822,296
Stock options exercised.....	182,716	7,730,908	1,698,464
Common shares converted from Series D preferred shares.....	-	-	430
Shares issued under compensation plans.....	8,498	8,774	3,756
Treasury stock purchased.....	(4,045,000)	(13,993,528)	(901,400)
 Balance, end of year.....	 40,515,914	 44,369,700	 50,623,546
	=====	=====	=====

Dividends declared on common stock for 1995, 1994 and 1993, were \$.093, \$.25 and \$.15 per common share, respectively. A liability was accrued for dividends declared but unpaid at December 31, 1995, totaling \$.4 million. Such dividends were paid in January 1996.

In 1995 and 1994, the Company repurchased approximately 4 million and 14 million shares of its common stock for \$92.4 million and \$360.2 million, respectively, in connection with its stock repurchase program.

The Company was authorized under its 1983 employee stock option plan to grant options to purchase up to 24 million shares of the Company's common stock at a price not less than its market value on the date the option is granted. The 1983 stock option plan continues to govern options granted thereunder, but expired in all other respects in December 1993. A new plan was adopted in 1994 which authorizes the granting of options to purchase up to 12 million shares of the Company's common stock at a price not less than its market value on the date the option is granted. The options are exercisable for up to 10 years from date of grant and may become exercisable immediately or over a period of time. The plan also permits granting of stock appreciation rights and certain other awards.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Stock options granted were as follows:

	Option price	Number of shares		
		1995	1994	1993
Outstanding at January 1,.....	\$1.3125 to \$28.1875	11,014,312	13,478,568	12,804,388
Granted during the year.....	\$21.71875 to \$28.5937	2,058,600	-	-
	\$20.9375 to \$29.625	-	6,428,000	-
	\$21.1875 to \$28.1875	-	-	2,922,800
Exercised during the year.....	\$1.3125 to \$26.625	(182,716)	(7,730,908)	(1,698,464)
Canceled during the year.....	\$1.5315 to \$29.625	(146,764)	(1,161,348)	(550,156)
		-----	-----	-----
Outstanding at December 31,.....	\$1.4375 to \$29.625	12,743,432	11,014,312	13,478,568
		=====	=====	=====
Portion thereof that is exercisable at December 31,.....	\$1.4375 to \$28.1875	3,676,022	1,549,088	8,125,386
		=====	=====	=====
Available for future grant.....		4,199,400	6,245,000	-
		=====	=====	=====

In addition to 16,942,832 shares of common stock reserved for issuance under the 1983 and 1994 stock option plans, 1,238,833 shares of common stock are reserved for issuance under stock bonus and deferred compensation plans. The common stock and additional paid-in capital account was reduced by \$6.1 million at December 31, 1995, for the unearned portion of the incentive deferred compensation program.

In February 1994, Conseco implemented an option exercise program under which its chief executive officer and four of its executive vice presidents exercised outstanding options to purchase approximately 7.2 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 options of \$15.4 million were reflected as increases to 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 3.6 million common shares to the executives. The Company also granted to the executive officers new options to purchase a total of 6,032,000 shares of the Company's common stock at \$29.625 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 the executives.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

11. OTHER OPERATING STATEMENT DATA:

Insurance policy income consisted of the following:

	1995	1994	1993
Direct premiums collected.....	\$3,172.9	\$1,907.4	\$2,169.9
Reinsurance assumed.....	6.1	5.1	6.0
Reinsurance ceded.....	(72.6)	(33.4)	(35.8)
	-----	-----	-----
Premiums collected, net of reinsurance.....	3,106.4	1,879.1	2,140.1
Change in unearned premiums.....	6.6	(3.9)	4.4
Less premiums on universal life and products without mortality and morbidity risk which are recorded as additions to insurance liabilities	1,757.4	634.6	891.9
	-----	-----	-----
Premiums on products with mortality risk, recorded as insurance policy income.....	1,355.6	1,240.6	1,252.6
Fees and surrender charges.....	108.1	43.0	38.8
Amortization of deferred policy fees.....	1.3	2.0	2.4
	-----	-----	-----
Insurance policy income.....	\$1,465.0	\$1,285.6	\$1,293.8
	=====	=====	=====

The five states with the largest shares of premiums collected in 1995 were Illinois (11 percent), Florida (10 percent), Michigan (7.5 percent), California (6.7 percent) and Texas (6.6 percent). No other state accounted for more than 5 percent of total collected premiums.

Other operating costs and expenses were as follows:

	1995	1994	1993
Commission expense.....	\$ 47.7	\$ 27.5	\$ 31.6
Other.....	224.4	186.6	182.8
	-----	-----	-----
Other operating costs and expenses.....	\$272.1	\$214.1	\$214.4
	=====	=====	=====

Conseco considers anticipated returns from the investment of policyholder balances in determining the amortization of the cost of policies purchased and cost of policies produced. Sales of fixed maturity investments change the incidence of profits on such policies because gains (losses) are recognized currently and, if the sale proceeds are reinvested at the current market yields, the expected future yields on the investment of policyholder balances are reduced (increased). Accordingly, amortization of the cost of policies purchased was increased (decreased) by \$106.4 million, \$(3.9) million and \$46.0 million in the years ended December 31, 1995, 1994 and 1993, respectively, and amortization of the cost of policies produced was increased (decreased) by \$20.2 million, \$(1.4) million and \$43.2 million in the years ended December 31, 1995, 1994 and 1993, respectively.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The changes in the cost of policies purchased were as follows:

	1995	1994	1993
	-----	-----	-----
(Dollars in millions)			
Balance, beginning of year.....	\$1,021.6	\$ 623.7	\$643.5
Consolidation of CCP effective January 1, 1995.....	345.2	-	-
Amounts related to CCP Merger.....	118.3	-	-
Amounts acquired.....	-	454.3	3.8
Amortization related to operations:			
Cash flow realized.....	(252.0)	(184.8)	(181.1)
Interest added.....	133.2	108.6	115.8
Amortization related to sales of investments.....	(106.4)	3.9	(46.0)
Amounts related to fair value adjustment			
of actively managed fixed maturities.....	(395.6)	94.6	(5.3)
Transferred to cost of policies produced related to			
exchanged health policies.....	(13.5)	(20.2)	(28.4)
Amounts related to purchase of additional shares of BLH.....	179.9	-	118.4
Amounts related to deconsolidation of WNC.....	-	(61.9)	-
Reinsurance and other	-	3.4	3.0
	-----	-----	-----
Balance, end of year.....	\$1,030.7	\$1,021.6	\$623.7
	=====	=====	=====

Based on current conditions and assumptions as to future events on all policies in force, the Company expects to amortize approximately 14 percent of the December 31, 1995, balance of cost of policies purchased in 1996, 13 percent in 1997, 12 percent in 1998, 11 percent in 1999, and 10 percent in 2000. The discount rates used to determine the amortization of the cost of policies purchased prior to November 19, 1992, ranged from 15 percent to 20 percent during the three-year period ended December 31, 1995. The discount rates used to determine the amortization of the cost of policies purchased after November 19, 1992, ranged from 4 percent to 8 percent.

The changes in the cost of policies produced were as follows:

	1995	1994	1993
	-----	-----	-----
(Dollars in millions)			
Balance, beginning of year.....	\$300.7	\$238.6	\$290.8
Consolidation of CCP, effective January 1, 1995.....	111.9	-	-
Amounts related to CCP Merger.....	(62.8)	-	-
Additions.....	302.9	164.0	168.8
Amortization related to operations.....	(62.0)	(46.1)	(69.4)
Amortization of deferred revenue.....	1.3	1.6	1.3
Amortization related to sales of investments.....	(20.2)	1.4	(43.2)
Amounts related to fair value adjustment of			
actively managed fixed maturities.....	(74.9)	18.6	(65.0)
Transferred from cost of policies purchased related to			
exchanged health policies, net of related reserves.....	1.6	7.5	25.4
Amounts related to purchase of additional shares of BLH.....	(107.5)	-	(73.3)
Amounts related to reinsurance treaty.....	-	-	3.2
Amounts related to deconsolidation of WNC.....	-	(84.9)	-
	-----	-----	-----
Balance, end of year.....	\$391.0	\$300.7	\$238.6
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

12. CONSOLIDATED STATEMENT OF CASH FLOWS:

The following non-cash items were not reflected in the consolidated statement of cash flows in 1995: (i) the redemption of convertible subordinated debentures of a subsidiary with a principal amount of \$9.2 million using segregated cash; (ii) the issuance of Conseco's common stock to employee benefit plans of \$4.2 million; and (iii) the tax benefit of \$.4 million related to the issuance of Conseco's common stock under employee benefit plans. The following non-cash items were not reflected in 1994: (i) recapture of insurance liabilities and invested assets totaling \$390.2 million and \$371.0 million, respectively, described in note 6; (ii) redemption of convertible subordinated debentures of a subsidiary with a principal amount of \$44.8 million using segregated cash; (iii) the issuance of Conseco's common stock to employee benefit plans of \$2.4 million; and (iv) the tax benefit of \$69.2 million related to issuance of Conseco's common stock under employee benefit plans. The following non-cash items were not reflected in 1993: (i) the surrender for redemption of \$50.0 million stated value of ICH preferred stock in exchange for common shares of BLH (as described in note 2 to the consolidated financial statements); (ii) recapture of insurance liabilities and invested assets each totaling approximately \$338.5 million in connection with the recapture of reinsurance as described in note 6; (iii) the issuance of Conseco's common stock to employee benefit plans of \$3.2 million; and (iv) the tax benefit of \$15.3 million related to issuance of Conseco's common stock under employee benefit plans.

Cash flows from operations included interest paid on debt of \$112.0 million, \$54.3 million and \$58.8 million in 1995, 1994 and 1993, respectively. Income taxes paid were \$90.3 million, \$99.8 million and \$204.9 million in 1995, 1994 and 1993, respectively.

13. STATUTORY INFORMATION:

Statutory accounting practices prescribed or permitted for the Company's insurance subsidiaries by regulatory authorities differ from GAAP. The Company's life insurance subsidiaries reported the following amounts to regulatory agencies, after appropriate eliminations of intercompany accounts among such subsidiaries:

	1995	1994
	-----	-----
Statutory capital and surplus.....	\$ 832.2	\$651.2
Asset valuation reserve.....	124.1	57.4
Interest maintenance reserve.....	247.4	83.0
Portion of surplus debenture carried as a liability	95.0	-
	-----	-----
Total.....	\$1,298.7	\$791.6
	=====	=====

Combined statutory net income of the Company's life insurance subsidiaries was \$183.8 million, \$112.5 million and \$162.3 million in 1995, 1994 and 1993, respectively, after appropriate eliminations of intercompany amounts among such subsidiaries.

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 remaining balance of the surplus debenture of \$430.0 million at December 31, 1995, 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 December 31, 1995, was \$359.1 million.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

American Life and Casualty's capital and surplus includes a surplus note with a balance of \$50.0 million at December 31, 1995. Each payment of interest or principal on the surplus notes requires the prior approval of the Iowa Insurance Division. The Iowa insurance law also provides that payments of dividends on capital stock and interest and principal on surplus notes may be made only out of an insurer's earned surplus. At December 31, 1995, American Life and Casualty had earned surplus of \$109.5 million. American Life and Casualty follows certain permitted accounting practices which are not specifically prescribed in state laws, regulations, general administrative rules and various NAIC publications. Such permitted accounting practices do not affect statutory surplus.

As a result of the acquisitions and subsequent recapitalization transactions of CCP's insurance subsidiaries, a CCP insurance subsidiary issued a surplus debenture to its direct parent company. As required by the state regulatory authorities, the debenture is classified as a part of statutory capital and surplus of the insurance subsidiary to the extent that such capital and surplus equals the level of capital and surplus required by the regulators. The balance of the debenture in excess of such amount is carried as a liability on the statutory balance sheet. This amount, however, would be reclassified to statutory capital and surplus to the extent subsequently needed to meet the level of capital and surplus required by the regulators.

Statutory accounting practices require the asset valuation reserve ("AVR") and the interest maintenance reserve ("IMR") be reported as liabilities. The purpose of these reserves is to stabilize statutory surplus against fluctuations in the market value of investments. The IMR captures all realized investment gains and losses, net of income tax, on debt instruments resulting from changes in interest rates and provides for subsequent amortization of such amounts into statutory net income on a basis reflecting the remaining lives of the assets sold. The AVR captures all realized, net of income tax, and unrealized investment gains and losses related to changes in creditworthiness and is also adjusted each year based on a formula related to the quality and loss experience of the Company's investment portfolio.

Included in statutory capital and surplus shown above are the following investments in affiliates, all of which are eliminated in the consolidated financial statements prepared in accordance with GAAP:

	1995			1994
	Admitted			Admitted
	Cost	asset	value	asset
	-----	-----	-----	-----
(Dollars in millions)				
Common stock of Conseco purchased in open market transactions (18,588,952 shares in 1995 and 1994).....	\$ 39.6	\$ 11.3	\$ 39.6	\$ 7.8
Notes payable of Conseco and its non-life subsidiaries.....	68.0	48.0	68.0	47.7
Common stock of BLH (2,314,737 shares)	50.0	46.9	50.0	43.9
Common stock of AGP (463,649 shares)	2.4	6.3	2.4	6.3
Preferred stock of Conseco.....	900.0	-	900.0	-
Investment in Partnership II.....	-	-	1.8	1.8
Investment in AGP 1994 Series PIK Preferred Stock.....	43.9	43.9	20.8	20.8

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table compares the consolidated pretax income determined on a statutory accounting basis with such income reported herein in accordance with GAAP:

	1995	1994	1993
	-----	-----	-----
(Dollars in millions)			
Life insurance subsidiaries:			
Pretax income as reported on a statutory accounting basis before deduction of expenses paid to affiliates and transfers to and from and amortization of the IMR.....	\$463.6	\$229.2	\$566.8
GAAP adjustments:			
Change in difference in carrying values of investments.....	189.3	31.7	14.3
Eliminate financial reinsurance effects.....	-	4.4	12.8
Changes in cost of policies purchased.....	(225.1)	(74.2)	(110.7)
Changes in cost of policies produced.....	224.4	123.3	51.1
Changes in insurance liabilities.....	(46.4)	(27.1)	(31.5)
Reinsurance recapture.....	-	19.2	15.5
Other adjustments, net.....	-	13.5	2.0
	-----	-----	-----
GAAP pretax income	605.8	320.0	520.3
Non-life companies:			
Interest expense.....	(119.4)	(59.3)	(58.0)
Equity in earnings of CCP	-	24.7	37.4
Equity in earnings of WNC.....	-	40.2	-
Restructuring income.....	15.2	80.8	-
Loss on terminated acquisition.....	-	(35.8)	-
Incentive earnings allocation from Partnership I	-	-	36.6
Gain on sale of stock by subsidiaries.....	-	-	101.5
All other income and expense, net (excluding amounts received from affiliates).....	(83.1)	(46.2)	(27.6)
	-----	-----	-----
GAAP consolidated pretax income.....	\$418.5	\$324.4	\$610.2
	=====	=====	=====

State insurance laws generally restrict the ability of insurance companies to pay dividends or make other distributions. Net assets of the Company's wholly owned life insurance subsidiaries, determined in accordance with generally accepted accounting principles, aggregated approximately \$1.7 billion at December 31, 1995, of which approximately \$97.9 million is available for distribution to Conseco in 1995 without the permission of state regulatory authorities.

Most states have adopted risk-based capital ("RBC") rules to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The RBC formula is designed as an early warning tool to help state regulators identify possible weakly capitalized companies for the purpose of initiating regulatory action. At December 31, 1995, the ratios of total adjusted capital to RBC, as defined by the rules, for the primary insurance subsidiaries of Conseco, BLH and AGP were greater than twice the level at which regulatory attention is triggered.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

14. BUSINESS SEGMENT AND DISTRIBUTION CHANNELS:

Conseco's earnings result from three different activities: (i) operating life insurance companies; (ii) providing services to affiliates and others for fees; and (iii) acquiring and restructuring investments, including life insurance companies held in partnership with other investors. Conseco's life insurance operations are primarily conducted through the following segments: (i) senior market operations (consisting of the activities of BLH, which distributes Medicare supplement policies and other life and health products to the senior citizens market and others through career agents, most of whom sell only BLH's products); (ii) annuity operations (consisting of the operations of Great American Reserve and Beneficial Standard which were subsidiaries of CCP prior to August 31, 1995, and which distribute tax qualified annuities and certain employee benefit-related products primarily to school teachers and administrators through educator market specialists and annuities and life insurance products through other diversified cost effective distribution channels); (iii) other life insurance operations (consisting of the operations of National Fidelity, Bankers National and Lincoln American which have profitable blocks of business, but do not currently market their products to new customers); (iv) partnership operations (consisting of the activities of AGP which distributes annuities and life insurance products through a general agency and brokerage distribution system and which was acquired through Partnership II in September 1994); and (v) WNC (which distributes single premium deferred annuities through financial institutions and other annuity products through personal producing general agents and which was disposed of in 1994).

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Financial information related to these activities as included in the consolidated financial statements is as follows:

	1995	1994	1993
	---	---	---
(Dollars in millions)			
Premiums collected, net of reinsurance			
Senior market operations.....	\$ 1,491.0	\$1,512.9	\$ 1,436.9
Annuity operations.....	709.8	-	-
Other life insurance operations.....	80.0	83.0	142.2
Partnership operations.....	825.6	283.2	-
WNC.....	-	-	561.0
	-----	-----	-----
Total.....	\$ 3,106.4	\$1,879.1	\$ 2,140.1
	=====	=====	=====
Revenues:			
Insurance operations:			
Senior market operations.....	\$ 1,522.4	\$1,437.0	\$ 1,450.5
Annuity operations.....	533.2	24.7	37.4
Other life insurance operations	112.4	116.4	207.4
Partnership operations.....	628.9	111.4	-
WNC.....	-	40.2	774.2
	-----	-----	-----
Subtotal	2,796.9	1,729.7	2,469.5
Fee-based operations.....	69.2	71.0	49.0
Restructuring income	15.2	80.8	138.1
Interest and other	8.3	2.2	14.1
Eliminations.....	(34.3)	(21.7)	(34.7)
	-----	-----	-----
Total.....	\$ 2,855.3	\$1,862.0	\$ 2,636.0
	=====	=====	=====
Income before income taxes, minority interest and extraordinary charge:			
Insurance operations:			
Senior market operations.....	\$ 188.4	\$ 197.1	\$ 208.1
Annuity operations.....	100.1	24.7	37.4
Other life insurance operations	14.5	23.5	55.0
Partnership operations.....	137.9	12.4	-
WNC.....	-	40.2	204.5
	-----	-----	-----
Subtotal.....	440.9	297.9	505.0
Fee-based operations.....	32.1	39.5	22.5
Restructuring income.....	15.2	45.0	138.1
Interest and other.....	(69.5)	(54.3)	(52.4)
Eliminations.....	(.2)	(3.7)	(3.0)
	-----	-----	-----
Total	\$ 418.5	\$ 324.4	\$ 610.2
	=====	=====	=====
Assets:			
Insurance operations:			
Senior market operations.....	\$ 4,785.2	\$ 4,040.2	\$ 4,146.1
Annuity operations.....	5,425.3	195.4	244.3
Other life insurance operations	832.5	926.2	993.7
Partnership operations.....	6,204.0	5,449.7	-
WNC	-	-	8,369.7
	-----	-----	-----
Subtotal.....	17,247.0	10,611.5	13,753.8
Fee-based operations.....	33.1	49.9	34.4
Interest and other.....	2,010.9	1,105.8	1,861.3
Eliminations.....	(1,993.5)	(955.3)	(1,900.2)
	-----	-----	-----
Total.....	\$17,297.5	\$10,811.9	\$13,749.3
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

15. QUARTERLY FINANCIAL DATA (UNAUDITED):

We compute earnings per common share for each quarter independently of earnings per share for the year. The sum of the quarterly earnings per share may not equal the earnings per share for the year because of: (i) transactions affecting the weighted average number of shares outstanding in each quarter; and
(ii) the uneven distribution of earnings during the year.

	1995			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
(Dollars in millions, except per share amounts)				
Insurance policy income.....	\$367.6	\$362.6	\$373.1	\$361.7
Revenues.....	652.3	737.1	676.7	789.2
Income before income taxes, minority interest and extraordinary charge	85.9	116.4	83.6	132.6
Net income.....	24.4	99.9	43.5	52.6
Net income per common share and common equivalent share:				
Primary:				
Net income before extraordinary charge	\$.45	\$2.23	\$.91	\$1.16
Extraordinary charge.....	-	-	-	.05
	-----	-----	-----	-----
Net income.....	\$.45	\$2.23	\$.91	\$1.11
	=====	=====	=====	=====
Fully diluted:				
Net income before extraordinary charge	\$.45	\$1.94	\$.84	\$1.05
Extraordinary charge.....	-	-	-	.04
	-----	-----	-----	-----
Net income.....	\$.45	\$1.94	\$.84	\$1.01
	=====	=====	=====	=====
	1994			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
(Dollars in millions, except per share amounts)				
Insurance policy income.....	\$321.1	\$312.9	\$320.2	\$331.4
Revenues.....	490.2	413.9	423.9	534.0
Income before income taxes, minority interest and extraordinary charge	134.2	63.4	78.2	48.6
Net income.....	80.1	34.2	35.8	.3
Net income (loss) per common share and common equivalent share:				
Primary:				
Net income (loss) before extraordinary charge.....	\$1.37	\$.56	\$.60	\$.(-.06)
Extraordinary charge .....	.04	-	-	.03
	-----	-----	-----	-----
Net income (loss).....	\$1.33	\$.56	\$.60	\$.(-.09)
	=====	=====	=====	=====
Fully diluted:				
Net income (loss) before extraordinary charge.....	\$1.26	\$.55	\$.59	\$.(-.06)
Extraordinary charge .....	.04	-	-	.03
	-----	-----	-----	-----
Net income (loss).....	\$1.22	\$.55	\$.59	\$.(-.09)
	=====	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Our quarterly results of operations are based on numerous estimates, principally related to policy reserves, the amortization of cost of policies purchased, the amortization of cost of policies produced and income taxes. We revise all such estimates each quarter and we ultimately adjust them to year-end amounts. When we determine revisions are necessary, we report them as part of operations of the current quarter.

16. SUBSEQUENT EVENTS (UNAUDITED):

On January 23, 1996, Conseco completed the offering of 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities, 7% Convertible Preferred Stock ("PRIDES"). Proceeds from the offering of approximately \$258 million (after underwriting and other associated costs) were used to repay amounts outstanding under the Credit Agreement.

Each share of PRIDES will pay dividends at the annual rate of 7 percent of the \$61.125 liquidation preference per share (equivalent to an annual amount of \$4.279 per share), payable quarterly. On February 1, 2000, unless either previously redeemed by Conseco or converted at the option of the holder, each share of PRIDES will mandatorily convert into two shares of Conseco common stock, subject to adjustment in certain events. Shares of PRIDES are not redeemable prior to February 1, 1999. During the period February 1, 1999 through February 1, 2000, the Company may redeem any or all of the outstanding shares of PRIDES. Upon such redemption, each holder will receive, in exchange for each share of PRIDES, the number of shares of Conseco common stock equal to (A) the sum of (i) \$62.195, declining to \$61.125 after February 1, 1999, and (ii) accrued and unpaid dividends divided by (B) the market price of Conseco common stock at such date, but in no event less than 1.71 shares of Conseco common stock. Pro forma fully diluted earnings per share for the year ended December 31, 1995, assuming: (i) the issuance of the PRIDES; and (ii) the use of such proceeds to reduce notes payable of Conseco, would have been \$3.71, rather than reported fully diluted earnings per share of \$4.22.

In March 1996, BLH completed a tender offer pursuant to which it repurchased \$148 million principal balance of its 13 percent senior subordinated notes for \$172 million. In the first quarter of 1996, Conseco will report an extraordinary charge of approximately \$9 million (after applicable income tax) as a result of the repurchase. The repurchase was made using the proceeds from a revolving credit facility entered into in February 1996. Maximum principal amounts which can be borrowed under the agreement total \$400 million (including a competitive bid facility in the aggregate principal amount of up to \$100 million). Amounts borrowed under the new facility are due in 2001 and accrue interest at a rate of LIBOR plus an applicable margin of between 50 and 75 basis points, depending on BLH's ratio of consolidated net worth (such interest rate was 6.3 percent at March 6, 1996). Proceeds of \$30 million were borrowed under the agreement to refinance the existing \$110 million principal balance due under the bridge loan facility.

In conjunction with the tender offer, holders of a majority of the senior subordinated notes consented to amendments which eliminated substantially all of the restrictive covenants of the senior subordinated notes, including covenants which limited BLH's ability to pay dividends, incur additional indebtedness, repurchase its common stock, and make certain investments.

BLH's new revolving credit agreement contains a number of covenants with respect to BLH, including among other things, prohibitions or limitations on indebtedness, liens, mergers, acquisitions, sales of assets outside of the normal course of business and certain transactions with affiliates.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following table sets forth the capitalization of the Company as of December 31, 1995, and the pro forma capitalization of the Company to give effect the following transactions as further described above) as if each had occurred on December 31, 1995: (i) the issuance of the PRIDES and use of the proceeds therefrom to reduce notes payable; and (ii) the BLH tender offer and related financing.

	As Actual	As Adjusted
	-----	-----
	(Dollars in millions)	(Dollars in millions)
Long-term debt:		
Notes payable of Conseco.....	\$ 871.4	\$ 628.7
Notes payable of BLH, not direct obligations of Conseco.....	301.5	310.0
Notes payable of Partnership II entities, not direct obligations of Conseco.....	283.2	283.2
	-----	-----
Total long-term debt.....	1,456.1	1,221.9
	-----	-----
Minority interest.....	403.3	403.3
Shareholders' equity:		
Preferred stock.....	283.5	283.5
PRIDES.....	-	267.1
Common stock and additional paid-in capital.....	157.2	149.1
Unrealized appreciation (depreciation) of securities.....	112.7	112.7
Retained earnings.....	558.3	546.8
	-----	-----
Total shareholders' equity.....	1,111.7	1,359.2
	-----	-----
Total capitalization.....	\$2,971.1	\$2,984.4
	=====	=====
Ratio of debt to total capital (excluding the effect of reporting fixed maturity securities at market):		
Debt for which Conseco is directly liable .....	.47X	.34X
Total debt for which Conseco is directly liable and debt of BLH.....	.52X	.42X

During the first quarter of 1996, BLH repurchased 1.3 million shares of its common stock at a cost of \$27.5 million, increasing Conseco's ownership interest in BLH to 90.5 percent.

In February 1996, Conseco's Board of Directors authorized a two-for-one split of Conseco's common stock. The stock split will be paid April 1, 1996, to the holders of record at the close of business on March 20, 1996. The split will be effected by issuing one additional share of common stock for each share outstanding on the record date. All share data and per share amounts have been restated to reflect the effect of the stock split. The Board of Directors also authorized a quarterly cash dividend to be paid April 1, 1996, of 2 cents per post-split share; an increase of 1 cent over the prior rate.

In March 1996, Conseco implemented an option exercise program under which its chief executive officer and four of its executive vice presidents exercised outstanding options to purchase approximately 1.5 million shares of the Company's common stock. The options would otherwise have remained exercisable until the years 2000 through 2002. As a result of the exercise, the Company will be able to realize a tax deduction of approximately \$45.3 million, equal to the aggregate tax gain recognized by executives as a result of the exercise. The Company withheld sufficient shares to cover federal and state taxes owed by the executives as a result of the exercise transaction. Net of withheld shares, the Company issued approximately .8 million shares of common stock to the executives. The Company also granted to the executive officers new options to purchase a total of .7 million shares at \$32.44 (the market price of a share on the grant date) to replace the shares surrendered for taxes and the exercise price. The tax benefit related to Conseco's tax deduction, together with the proceeds from the exercise of the options, will be reflected as an increase, and the cost of the shares withheld to cover taxes and exercise price will be reflected as a decrease, to paid-in capital.

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In March 1996, Conseco and Life Partners Group, Inc. ("LPG") signed a definitive merger agreement, whereby LPG would become a wholly owned subsidiary of Conseco. In the merger, each of the issued and outstanding shares of LPG common stock would be converted into the right to receive a fraction of a share of Conseco common stock determined by dividing \$21.00 by the average closing price of Conseco common stock during the 20 trading days ending two days prior to the merger (such fraction to be not more than 0.7000 nor less than 0.5833). The total value of the transaction would be approximately \$850 million, including \$600 million of common stock to be issued by Conseco and \$250 million of existing LPG long-term debt to be assumed by Conseco. Consummation of the merger, which is subject to customary terms and conditions, including approval by the stockholders of both LPG and Conseco and regulatory approvals, is expected before the end of June 1996. A termination fee of \$20 million is payable under certain circumstances by either party if its shareholders do not approve the transaction. At September 30, 1995, LPG had total assets of \$5.1 billion and total shareholders' equity of \$.4 billion.

In March 1996, Conseco announced that Partnership II would be dissolved. Accordingly, the partners (including Conseco and its subsidiaries) have no further commitment to make additional contributions of capital to Partnership

II. In accordance with the partnership agreement, all of Partnership II's assets (primarily its investment in AGP) will be distributed to its partners subject to the conditions contained in the partnership agreement. In any event, Partnership II's assets must be distributed within two years of the effective date of dissolution. In the first quarter of 1996, Conseco will report a one-time loss of approximately \$6 million (net of applicable income taxes) as a result of the dissolution.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

The information required by Part III is hereby incorporated by reference from the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 1995, except that the information required by Item 10 regarding Executive Officers is included herein under a separate caption at the end of Part I.

PART IV**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.**

- (a) 1. Financial Statements. See Index to Financial Statements on page 49 for a list of financial statements included in this Report.
- 2. Financial Statement Schedules. The following financial statement schedules are included as part of this Report immediately following the signature page:

Schedule II -- Condensed Financial Information of Registrant(Parent Company)

Schedule III -- Supplementary Insurance Information**Schedule IV -- Reinsurance**

All other schedules are omitted, either because they are not applicable, not required, or because the information they contain is included elsewhere in the consolidated financial statements or notes.

- 3. Exhibits. See Exhibit Index immediately preceding the Exhibits filed with this report

- (b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of Section 13 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, this 29th day of March, 1996.

CONSECO, INC.

By: /s/ STEPHEN C. HILBERT

Stephen C. Hilbert, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title (Capacity)	Date
/s/ STEPHEN C. HILBERT ----- Stephen C. Hilbert	Chairman of the Board, President and Director (Principal Executive Officer)	March 29, 1996
/s/ ROLLIN M. DICK ----- Rollin M. Dick	Executive Vice President and Director (Principal Financial Officer and Principal Accounting Officer)	March 29, 1996
/s/ NGAIRE CUNEO ----- Ngaire Cuneo	Director	March 29, 1996
/s/ DAVID R. DECATUR ----- David R. Decatur	Director	March 29, 1996
/s/ LOUIS P. FERRERO ----- Louis P. Ferrero	Director	March 29, 1996
/s/ DONALD F. GONGaware ----- Donald F. Gongaware	Director	March 29, 1996
/s/ DENNIS E. MURRAY, SR. ----- Dennis E. Murray, Sr.	Director	March 29, 1996
/s/ JAMES D. MASSEY ----- James D. Massey	Director	March 29, 1996

**REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULES**

To the Shareholders and
Board of Directors
Conseco, Inc.

Our report on the consolidated financial statements of Conseco, Inc. and Subsidiaries is included on page 51 of this Form 10-K. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page 108 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Indianapolis, Indiana
March 20, 1996

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE II

Condensed Financial Information of Registrant (Parent Company) Balance Sheet as of December 31, 1995 and 1994

(Dollars in millions)

ASSETS	1995	1994
Short-term investments.....	\$ 4.6	\$ 111.1
Actively managed fixed maturities	-	13.3
Equity securities.....	.5	3.3
Trading account securities.....	-	17.2
Other invested assets.....	10.7	6.5
Investment in CCP Insurance, Inc.....	-	195.4
Investment in wholly owned subsidiaries (eliminated in consolidation).....	764.6	115.4
Investment in Bankers Life Holding Corporation (eliminated in consolidation).....	898.5	477.9
Investment in Conseco Capital Partners II, L.P. (eliminated in consolidation).....	85.5	4.3
Receivable from subsidiaries (eliminated in consolidation).....	174.8	28.3
Income taxes.....	166.8	90.7
Other assets.....	71.7	42.4
 Total assets.....	 \$2,177.7	 \$1,105.8
 =====	 =====	 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
 Liabilities:		
Notes payable.....	\$ 871.4	\$ 191.8
Notes payable to subsidiaries (eliminated in consolidation).....	63.4	62.9
Other liabilities due subsidiaries (eliminated in consolidation).....	45.5	46.4
Other liabilities.....	85.7	57.7
 Total liabilities.....	 1,066.0	 358.8
 =====	 =====	 =====
 Shareholders' equity:		
Preferred stock.....	283.5	283.5
Common stock and additional paid-in capital (no par value, 500,000,000 shares authorized, shares issued and outstanding: 1995 - 40,515,914; 1994 - 44,369,700).....	157.2	165.8
Unrealized appreciation (depreciation) of securities: Fixed maturity securities (net of applicable deferred income taxes: 1995 - \$66.8; 1994 - \$(65.0)).....	112.6	(137.7)
Equity securities (net of applicable deferred income taxes: 1995 - \$.1; 1994 - \$(.9)).....	.1	(2.0)
Retained earnings.....	558.3	437.4
 Total shareholders' equity.....	 1,111.7	 747.0
 =====	 =====	 =====
Total liabilities and shareholders' equity.....	\$2,177.7	\$1,105.8
 =====	 =====	 =====

The accompanying note is an integral
part of the condensed financial information.

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE II

Condensed Financial Information of Registrant (Parent Company) Statement of Operations for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
Revenues:	---	---	---
Net investment income.....	\$ 8.5	\$ 2.7	\$ 8.4
Dividends from subsidiaries (eliminated in consolidation).....	106.5	39.6	18.6
Equity in earnings of CCP Insurance, Inc.....	-	24.7	37.4
Equity in earnings of Western National Corporation.....	-	40.2	-
Fee and interest income from subsidiaries (eliminated in consolidation).....	12.9	4.3	12.0
Gain on sale of stock by subsidiaries	-	-	101.5
Restructuring income.....	20.6	80.8	36.6
Other income (losses).....	(6.4)	1.4	1.7
	-----	-----	-----
Total revenues.....	142.1	193.7	216.2
Expenses:	---	---	---
Interest expense on notes payable.....	42.6	20.6	22.8
Interest expense to subsidiaries (eliminated in consolidation).....	7.5	7.1	7.8
Operating costs and expenses.....	27.8	29.3	40.9
Expenses incurred in conjunction with terminated merger.....	-	35.8	-
	-----	-----	-----
Total expenses.....	77.9	92.8	71.5
Income before income taxes, equity in undistributed earnings of subsidiaries and extraordinary charge.....	64.2	100.9	144.7
Income tax expense (benefit).....	(93.2)	8.5	44.2
	-----	-----	-----
Income before equity in undistributed earnings of subsidiaries and extraordinary charge.....	157.4	92.4	100.5
Equity in undistributed earnings of subsidiaries (eliminated in consolidation).....	65.1	62.0	208.4
	-----	-----	-----
Income before extraordinary charge.....	222.5	154.4	308.9
Extraordinary charge on extinguishment of debt, net of tax.....	2.1	4.0	11.9
	-----	-----	-----
Net income.....	220.4	150.4	297.0
Less preferred stock dividends.....	18.4	18.6	20.6
	-----	-----	-----
Earnings applicable to common stock.....	\$202.0	\$131.8	\$276.4
	=====	=====	=====

The accompanying note is an integral
part of the condensed financial information.

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE II

Condensed Financial Information of Registrant (Parent Company)

Statement of Cash Flows

for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
Cash flows from operating activities:	---	---	---
Net income.....	\$220.4	\$150.4	\$297.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of consolidated subsidiaries.....	(73.2)	(62.0)	(208.4)
Equity in undistributed earnings of equity investments	-	(61.0)	(36.6)
Gain on sale of stock by subsidiaries	-	-	(101.5)
Restructuring income.....	(20.6)	(80.8)	(36.6)
Income taxes	(101.3)	24.5	34.9
Extraordinary charge on extinguishment of debt.....	3.7	5.0	16.3
Investment related expense.....	-	35.8	-
Other.....	18.9	15.3	13.6
	-----	-----	-----
Net cash provided (used) by operating activities.....	47.9	27.2	(21.3)
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from sale of shares of Western National Corporation and related transactions.....	-	811.7	-
Redemption of investments in subsidiaries.....	-	-	118.3
Sales and maturities of investments.....	125.6	22.9	45.5
Investments in consolidated subsidiaries.....	(556.9)	-	(450.9)
Payment to affiliate.....	-	(58.8)	-
Purchases of investments.....	(70.8)	(51.6)	(76.2)
Investment in Conesco Capital Partners II, L.P.....	(7.1)	(17.0)	-
Expenses incurred in conjunction with terminated merger.....	(5.5)	(30.3)	-
Cash held by CCP prior to CCP Merger.....	17.0	-	-
	-----	-----	-----
Net cash provided (used) by investing activities.....	(497.7)	676.9	(363.3)
	-----	-----	-----
Cash flows from financing activities:			
Issuance of equity securities, net.....	1.8	3.2	281.7
Issuance of notes payable, net.....	827.2	158.0	393.4
Payments on notes payable.....	(330.0)	(378.4)	(180.0)
Payments to repurchase equity securities of Conesco.....	(92.4)	(357.6)	(75.3)
Dividends paid	(24.6)	(31.3)	(23.0)
Dividends on stock held by subsidiaries.....	(38.7)	(4.6)	(1.8)
	-----	-----	-----
Net cash provided (used) by financing activities.....	343.3	(610.7)	395.0
	-----	-----	-----
Net increase (decrease) in short-term investments.....	(106.5)	93.4	10.4
Short term investments, beginning of year.....	111.1	17.7	7.3
	-----	-----	-----
Short term investments, end of year.....	\$ 4.6	\$111.1	\$ 17.7
	=====	=====	=====

The accompanying note is an integral part of the condensed financial information.

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE II

Note to Condensed Financial Information

Basis of Presentation

The condensed financial information should be read in conjunction with the consolidated financial statements of Conseco, Inc. The condensed financial information includes the accounts and activity of the Parent Company and its wholly-owned non-insurance subsidiaries which act as the holding companies for the Company's life insurance subsidiaries.

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE III

Supplementary Insurance Information
(Dollars in millions)

Segment	Cost of policies produced and cost of policies purchased	Insurance liabilities	Insurance policy income	Net investment income	Insurance policy benefits and expenses(1)	Amortization of cost of policies produced and cost of policies purchased(2)	Other operating expenses(3)
1995							
Senior market operations	\$ 759.7	\$3,265.7	\$1,247.2	\$ 247.2	\$1,017.8	\$129.8	\$186.3
Annuity operations	308.7	4,331.8	109.3	393.1	301.1	56.6	75.5
Other life insurance operations	25.5	632.2	50.4	71.3	82.1	4.5	11.3
Partnership operations	327.8	5,148.7	58.1	415.2	291.9	116.6	82.5
Fee-based operations	--	--	--	--	--	--	36.7
Interest and other	--	--	--	14.8	--	--	77.8
Eliminations	--	--	--	1.0	--	--	(33.7)
	-----	-----	-----	-----	-----	-----	-----
Total	\$1,421.7	\$13,378.4	\$1,465.0	\$1,142.6	\$1,692.9	\$307.5	\$436.4
	=====	=====	=====	=====	=====	=====	=====
1994							
Senior market operations	\$ 791.8	\$ 3,040.8	\$1,213.8	\$ 219.5	\$ 943.5	\$108.2	\$188.2
Other life insurance operations	57.7	652.8	58.2	75.5	78.5	2.1	12.3
Partnership operations	472.8	4,843.8	13.6	95.2	70.7	6.7	21.6
Western National Corporation	--	--	--	--	--	--	--
Fee-based operations	--	--	--	--	--	--	32.4
Interest and other	--	--	--	4.2	--	--	56.5
Eliminations	--	--	--	(8.7)	--	--	(18.9)
	-----	-----	-----	-----	-----	-----	-----
Total	\$1,322.3	\$8,537.4	\$1,285.6	\$385.7	\$1,092.7	\$117.0	\$292.1
	=====	=====	=====	=====	=====	=====	=====
1993							
Senior market operations	\$ 680.6	\$2,756.7	\$1,200.7	\$ 174.7	\$ 900.8	\$143.5	\$198.1
Other life insurance operations	34.9	661.7	72.3	110.2	121.2	17.6	13.6
Western National Corporation	146.8	7,379.9	21.8	610.1	454.3	63.7	51.7
Fee-based operations	--	--	--	--	--	--	25.1
Interest and other	--	--	--	12.4	--	--	66.5
Eliminations	--	--	(1.0)	(11.2)	--	(.9)	(29.4)
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 862.3	\$10,798.3	\$1,293.8	\$ 896.2	\$1,476.3	\$223.9	\$325.6
	=====	=====	=====	=====	=====	=====	=====

(1) Includes insurance policy benefits, change in future policy benefits and interest expense on annuities and financial products.

(2) Includes additional amortization related to gains on sales of investments.

(3) Includes interest expense on notes payable, interest expense on short-term investment borrowings, change in future policy benefits related to realized gains and other operating costs and expenses.

CONSECO, INC. AND SUBSIDIARIES

SCHEDULE IV

Reinsurance

for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
	----	----	----
Life insurance in force:			
Direct.....	\$36,040.7	\$28,002.9	\$21,554.5
Assumed.....	562.8	72.7	89.8
Ceded.....	(2,820.3)	(2,008.0)	(1,754.1)
	-----	-----	-----
Net insurance in force.....	\$33,783.2	\$26,067.6	\$19,890.2
	=====	=====	=====
Percentage of assumed to net.....	1.7%	.3%	.5%
	==	==	==
Premiums recorded as revenue for generally accepted accounting principles:			
Direct.....	\$1,422.1	\$1,268.9	\$1,282.4
Assumed.....	6.1	5.1	6.0
Ceded.....	(72.6)	(33.4)	(35.8)
	-----	-----	-----
Net premiums.....	\$1,355.6	\$1,240.6	\$1,252.6
	=====	=====	=====
Percentage of assumed to net.....	.4%	.4%	.5%
	==	==	==

EXHIBIT INDEX

Annual Report on Form 10-K
of Conseco, Inc.

Exhibit No.	Document
2.3	Agreement and Plan of Merger dated as of May 1, 1994 by and among Conseco Capital Partners II, L.P., CCP II Acquisition Company and The Statesman Group, Inc. was filed with the Commission as Exhibit 2.1 to the Registrant's Report on Form 8-K dated September 29, 1994, and is incorporated herein by this reference.
2.4	Agreement and Plan of Merger dated as of May 19, 1995, by and between CCP Insurance, Inc. and Conseco, Inc. was filed with the Commission as Exhibit 2.4 to the Registrant's Report on Form 8-K dated August 31, 1995, and is incorporated herein by this reference.
2.5	Agreement and Plan of Merger dated as of March 11, 1996, by and among Conseco, Inc., LPG Acquisition Company and Life Partners Group, Inc. was filed with the Commission as Exhibit 2.5 to the Registrant's Report on Form 8-K dated March 11, 1996, and is incorporated herein by this reference.
3.1	Amended and Restated Articles of Incorporation of the Registrant were filed with the Commission as Exhibit 3.1 to the Registration Statement on Form S-2, No. 33-8498; Articles of Amendment thereto, as filed September 9, 1988 with the Indiana Secretary of State, were filed with the Commission as Exhibit 3.1.1 to the Registrant's Annual Report on Form 10-K for 1988; and Articles of Amendment thereto, as filed June 13, 1989 with the Indiana Secretary of State, were filed with the Commission as Exhibit 3.1.2 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1989, Articles of Amendment thereto, as filed June 29, 1993 with the Indiana Secretary of State, were filed with the Commission as Exhibit 3.1.3 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1993, and Articles of Amendment thereto relating to the PRIDES were filed with the Commission as Exhibit 3.(i).3 to the Registrant's Report on Form 8-K dated January 17, 1996, and are incorporated herein by this reference.
3.2	Amended and Restated By-Laws of the Registrant effective February 10, 1986 were filed with the Commission as Exhibit 3.2 to its Registration Statement on Form S-1, No. 33-4367, and an Amendment thereto was filed with the Commission as Exhibit 3.2.1 to Amendment No. 2 to its Registration Statement on Form S-1, No. 33-4367; and are incorporated herein by this reference.
4.8	Indenture dated as of February 18, 1993, between the Registrant and Shawmut Bank Connecticut, National Association, as Trustee, for the 8 1/8 percent Senior Notes due 2003, was filed with the Commission as Exhibit 4.8 to the Registrant's Annual Report on Form 10-K for 1992, and is incorporated herein by this reference.
4.11	Articles of Amendment to the Registrant's Articles of Incorporation as filed January 22, 1993, with the Indiana Secretary of State establishing the designations, rights and preferences of the Series D Cumulative Convertible Preferred Stock were filed with the Commission as Exhibit 4.11 to the Registrant's Annual Report on Form 10-K for 1992, and is incorporated herein by this reference.
4.12	Indenture dated as of September 29, 1994 between ALHC Merger Corporation and LTCB Trust Company and First Supplemental Indenture dated as of September 29, 1994 between American Life Holding Company and the Trustee for the 11 1/4% Senior Subordinated Notes due 2004 were filed with the Commission as Exhibit 4.12 to the Registrant's Report on Form 8-K dated September 29, 1994, and are incorporated herein by this reference.
*4.13	Indenture dated as of December 15, 1994, between CCP

Insurance, Inc., and LTCB Trust Company, as Trustee, for the \$200,000,000 aggregate principal amount of 10 1/2% Senior Notes due 2004.

Exhibit No.	Document
4.13.1	First Supplemental Indenture between Conseco, Inc., as Issuer, and LTCB Trust Company as Trustee, dated as of August 31, 1995, was filed with the Commission as Exhibit 4.13.1 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1995, and is incorporated herein by this reference.
4.14	Credit Agreement dated August 31, 1995 by and among Conseco, the financial institutions who are or from time to time become party thereto, The Chase Manhattan Bank, N.A., First Union National Bank of North Carolina, the Managing Banks named therein and Bank of America National Trust and Savings Association, was filed with the Commission as Exhibit 4.14 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1995, and is incorporated herein by this reference.
*4.15	Borrower Shared Pledge Agreement dated as of August 31, 1995, between Conseco, Inc. and Bank of America National Trust and Savings Association, as Administrative Agent.
*4.16	New CIHC Pledge Agreement dated as of August 31, 1995, between CIHC, Incorporated and Bank of America National Trust and Savings Association, as Administrative Agent.
	The Registrant agrees to furnish the Commission upon its request a copy of any instrument defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries.
10.1.2	Employment Agreement dated January 1, 1987, between the Registrant and Stephen C. Hilbert was filed with the Commission as Exhibit 10.1.2 to the Registrant's Annual Report on Form 10-K for 1986, and Amendment No. 1 thereto were filed with the Commission as Exhibit 10.1.2 to the Registrant's Annual Report on Form 10-K for 1987; and are incorporated herein by this reference.
10.1.3	Employment Agreement dated July 1, 1991, between the Registrant and Rollin M. Dick was filed with the Commission as Exhibit 10.1.3 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1991, and is incorporated herein by this reference.
10.1.4	Employment Agreement dated July 1, 1991, between the Registrant and Donald F. Gongaware was filed with the Commission as Exhibit 10.1.4 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1991, and is incorporated herein by this reference.
10.1.5	Employment Agreement dated July 1, 1991, between the Registrant and Lawrence W. Inlow was filed with the Commission as Exhibit 10.1.5 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1991, and is incorporated herein by this reference.
10.1.9	Secured Promissory Note of Stephen C. Hilbert and Pledge Agreement between the Registrant and Stephen C. Hilbert dated February 25, 1988, were filed with the Commission as Exhibit 10.1.9 to the Registrant's Report on Form 10-Q for the quarter ended March 31, 1988, and are incorporated herein by this reference.
10.1.10	Employment Agreement dated August 17, 1992, between the Registrant and Ngaire E. Cuneo was filed with the Commission as Exhibit 10.1.10 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1992, and is incorporated herein by this reference.
*10.1.11	Employment Agreement dated October 1, 1995 between the Registrant and Louis P. Ferrero.

Exhibit No.	Document
10.8	The Registrant's Stock Option Plan was filed with the Commission as Exhibit B to its definitive Proxy Statement dated December 10, 1983; Amendment No. 1 thereto was filed with the Commission as Exhibit 10.8.1 to its Report on Form 10-Q for the quarter ended June 30, 1985; Amendment No. 2 thereto was filed with the Commission as Exhibit 10.8.2 to its Registration Statement on Form S-1, No. 33-4367; Amendment No. 3 thereto was filed with the Commission as Exhibit 10.8.3 to the Registrant's Annual Report on Form 10-K for 1986; Amendment No. 4 thereto was filed with the Commission as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for 1987; Amendment No. 5 thereto was filed with the Commission as Exhibit 10.8 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1991; and are incorporated herein by this reference.
10.8.3	The Registrant's Cash Bonus Plan was filed with the Commission as Exhibit 10.8.3 to the Registrant's Report on Form 10-Q for the quarter ended March 31, 1989, and is incorporated herein by this reference.
10.8.4	Amended and Restated Conseco Stock Bonus and Deferred Compensation Program was filed with the Commission as Exhibit 10.8.4 to the Registrant's Annual Report on Form 10-K for 1992, and is incorporated herein by this reference.
10.8.6	Conseco Performance - Based Compensation Bonus Plan for Executive Vice Presidents was filed with the Commission as Exhibit B to the Registrant's definitive Proxy Statement dated April 29, 1994, and is incorporated herein by this reference.
10.8.7	Conseco, Inc. Amended and Restated Deferred Compensation Plan was filed with the Commission as Exhibit A to the Registrant's definitive Proxy Statement dated April 26, 1995, and is incorporated herein by this reference.
10.8.8	Amendment to the Amended and Restated Conseco Stock Bonus and Deferred Compensation Program was filed with the Commission as Exhibit 10.8.8 to the Registrant's Annual Report on Form 10-K for 1994, and is incorporated herein by this reference.
10.8.9	Conseco 1994 Stock and Incentive Plan was filed as Exhibit A to the Registrant's definitive Proxy Statement dated April 29, 1994 and is incorporated herein by this reference.
*10.8.10	Amendment Number 2 to the Amended and Restated Conseco Stock Bonus and Deferred Compensation Program.
10.23	Aircraft Lease Agreement dated December 22, 1988, between General Electrical Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for 1988, and is incorporated herein by this reference.
10.23.1	Amendment to Aircraft Lease Agreement dated December 22, 1988, between General Electric Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.23.1 to the Registrant's Annual Report on Form 10-K for 1993, and is incorporated herein by this reference.
10.24	Aircraft Lease Agreement dated April 26, 1991 between General Electric Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.29 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1991, and is incorporated herein by this reference.
10.24.1	Amendment to Aircraft Lease Agreement dated April 26, 1991, between General Electric Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.24.1 to the Registrant's Annual Report on Form 10-K for 1993, and is incorporated herein by this reference.

Exhibit No.	Document
10.25	Aircraft Lease Purchase Agreement dated December 28, 1993, between MetLife Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for 1993, and is incorporated herein by this reference.
10.31	Helicopter Lease Agreement dated April 9, 1992 between General Electric Capital Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.31 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1992, and is incorporated herein by this reference.
10.32	Aircraft Lease Agreement dated October 6, 1993, between General Electric Capital Corporation and Conseco Investment Holding Company and the associated Assignment Agreement dated October 25, 1993, between General Electric Capital Corporation and Nationsbanc Leasing Corporation were filed with the Commission as Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for 1993, and are incorporated herein by this reference.
10.35	Stock Purchase Agreement dated December 2, 1994 between American General Corporation and Conseco Investment Holding Company was filed with the Commission as Exhibit 10.35 to the Registrant's Report on Form 8-K dated December 23, 1994, and is incorporated herein by this reference.
10.36	Lease dated as of December 18, 1992 between LaSalle National Trust, N.A. as trustee and Bankers Life and Casualty Company relating to the lease of executive office and administration space by BLH was filed with the Commission as Exhibit 10.17 to Amendment No. 1 to BLH's Registration Statement on Form S-1, No. 33-55026, and is incorporated herein by this reference.
10.37	Lease dated as of August 20, 1993 between REO Holding Corporation and Bankers Life and Casualty Company relating the lease of warehouse space by BLH was filed with the Commission as Exhibit 10.14 to BLH's Report on Form 10-K for 1994, and is incorporated herein by this reference.
10.38	Purchase Agreement relating to Preferred Redeemable Increased Dividend Equity Securities, 7% PRIDES, Convertible Preferred Stock was filed with the Commission as Exhibit 1.1 to the Registrant's Report on Form 8-K dated January 17, 1996, and is incorporated herein by this reference.
*11.1	Computation of Earnings Per Share - Primary.
*11.2	Computation of Earnings Per Share - Fully Diluted.
*12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends.
*21	List of Subsidiaries.
*23	Consent of Independent Accountants
*27	Financial data schedule for Conseco, Inc. dated December 31, 1995

*Filed herewith

Exhibit No.	Document

	Compensation Plans and Arrangements
10.1.2	Employment Agreement dated January 1, 1987, between the Registrant and Stephen C. Hilbert.
10.1.3	Employment Agreement dated July 1, 1991, between the Registrant and Rollin M. Dick.
10.1.4	Employment Agreement dated July 1, 1991, between the Registrant and Donald F. Gongaware.
10.1.5	Employment Agreement dated July 1, 1991, between the Registrant and Lawrence W. Inlow.
10.1.9	Secured Promissory Note of Stephen C. Hilbert and Pledge Agreement between the Registrant and Stephen C. Hilbert.
10.1.10	Employment Agreement dated August 17, 1992, between the Registrant and Ngaire E. Cuneo.
10.1.11	Employment Agreement dated October 1, 1995 between the Registrant and Louis P. Ferrero.
10.8	The Registrant's Stock Option Plan; Amendment No. 1 thereto; Amendment No. 2 thereto; Amendment No. 3 thereto; Amendment No. 4 thereto; and Amendment No. 5 thereto.
10.8.3	The Registrant's Cash Bonus Plan.
10.8.4	Amended and Restated Conseco Stock Bonus and Deferred Compensation Program.
10.8.6	Conseco Performance - Based Compensation Bonus Plan for Executive Vice Presidents.
10.8.7	Conseco, Inc. Amended and Restated Deferred Compensation Plan.
10.8.8	Amendment to the Amended and Restated Conseco Stock Bonus and Deferred Compensation Program.
10.8.9	Conseco 1994 Stock and Incentive Plan.
*10.8.10	Amendment No. 2 to the Amended and Restated Stock Bonus and Deferred Compensation Program.

INDENTURE, dated as of December 15, 1994, between CCP Insurance, Inc., an Indiana corporation (the "Company"), and LTCB Trust Company, a New York corporation, as trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of 10 1/2% Senior Notes due 2004 (the "Securities") of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary have been done to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; and
- (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Articles IV, VI and X, are defined in those Articles.

"Act" when used with respect to any Holder has the meaning specified in Section 1.4.

"Affiliate" of any Person (hereinafter "first Person") means

(i) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such first Person; or (ii) any Person who is a director or executive officer (as defined in Rule 3b-7 of the Exchange Act) of either: (1) such first Person, or (2) any Person described in clause (i) above. For the purposes of this definition, "control" of a Person means the power, direct or indirect, to direct or cause the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" means the board of directors of the Company or any duly authorized committee of the Board of Directors of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are authorized or obligated by law, regulation or executive order to close.

"Capital Lease Obligation" of a Person means any obligation that is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with generally accepted accounting principles; the amount of such obligations shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock, including any Preferred Stock.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture, until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by any one of its Chairman of the Board, its President or a Vice President, and by any one of its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Indenture is located at 165 Broadway, New York, New York 10006, Attention: Corporate Trust Administration.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 3.7.

"Depository" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more Global Securities, initially The Depository Trust Company, a limited-purpose trust company organized under the Banking Law of the State of New York ("DTC"), or any successor Depository which shall succeed DTC pursuant to the applicable provisions of Article III this Indenture.

"Event of Default" has the meaning specified in Article V.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"Generally accepted accounting principles" or "GAAP" means generally accepted accounting principles as in effect from time to time and as implemented by the Company.

"Global Security" means a Security evidencing all or part of the Securities issued in accordance with Article III herein.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" means (a) any liability of any Person (1) for borrowed money, or under any reimbursement obligation relating to a letter of credit (other than letters of credit obtained in the ordinary course of business), or (2) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than accounts payable or other indebtedness to trade creditors arising in the ordinary course of business), or

(3) for the payment of money relating to a Capital Lease Obligation; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above.

"Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

"Obligation(s)" means any principal, interest, premium, penalties, fees and other liabilities and obligations due under the documentation governing any Indebtedness (including interest after the commencement of any bankruptcy, insolvency, rehabilitation, liquidation, conservation, supervision or similar proceedings).

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company or the Trustee, and who shall be reasonably acceptable to the Trustee.

"Outstanding," when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; and Securities, except to the extent provided in Sections 4.2 and 4.3, with respect to which the Company has effected defeasance or covenant defeasance as provided in Article IV; and

(c) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands the Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any Affiliate of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of, or interest on, any Securities on behalf of the Company and initially shall be the Trustee.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock or limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Regular Record Date" for the interest payable on any Interest Payment Date means the first day (whether or not a Business Day) in the month of the Interest Payment Date.

"Responsible Officer," when used with respect to the Trustee, means any officer assigned to the Corporate Trust Office, including any Vice President, Assistant Vice President, Assistant Secretary or any other officer of the Trustee to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Securities" or "Security" has the meaning specified in the first recital of this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.5.

"Significant Subsidiary" means any Subsidiary with (i) assets which constituted at least 10% of the Company's consolidated total assets, or (ii) revenues which constituted at least 10% of the Company's consolidated total revenues, or (iii) net earnings which constituted at least 10% of the Company's consolidated total net earnings, all as determined as of the date of the Company's most recently prepared quarterly financial statements for the 12-month period then ended.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7.

"Stated Maturity," when used with respect to any security or any installment of interest on any security, means the date specified in such security as the fixed date on which the principal of such security or such installment of interest, respectively, is finally due and payable, except as otherwise provided in the case of Capital Lease Obligations.

"Subsidiary" means a corporation of which a majority of the Capital Stock having voting power under ordinary circumstances to elect a majority of the board of directors is owned directly or indirectly by the Company or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

"Trustee" means the Person named as "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this Indenture was executed, except as provided in Section 9.5.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

Section 1.2 Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenants the compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and, if requested by the Trustee, an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than certificates provided pursuant to Section 314(a)(4) of the Trust Indenture Act) shall include:

- (a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such individual, such condition or covenant has been complied with.

Section 1.3 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, any one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Any certificate or opinion of an officer of the Company or any Opinion of Counsel may be based, insofar as it relates to accounting matters, upon a certificate, statement or opinion of an accountant or firm of accountants, unless such officer or counsel, as the case may be, knows, or in the exercise of reasonable care should know, that the certificate, statement or opinion with respect to the accounting matters upon which such certificate or opinion is based is erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4 Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing, or of a writing appointing any such agent, may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 1.5 Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(a) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if mailed by registered or certified mail, return-receipt requested, to the Trustee addressed to it at its principal Corporate Trust Office and to the attention of Corporate Trust Administration or at any other address previously furnished in writing to the Holders and the Company by the Trustee; or

(b) the Company by the Trustee or by any Holder shall be sufficient for every purpose (except as provided in Section 5.1(c)) hereunder if in writing and mailed by certified or registered mail, return-receipt requested, to the Company addressed to it at 11825 N. Pennsylvania Street, Carmel, Indiana 46032, Attention: General Counsel, or any other address previously furnished in writing to the Trustee by the Company.

Section 1.6 Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Any notice when mailed to a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder whether or not actually received by such Holder. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause, it shall be impracticable to mail notice of any event as required by any provision of this Indenture, then any method of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 1.7 Trust Indenture Act. This Indenture shall include the provisions of the Trust Indenture Act required or automatically deemed to be incorporated herein. If any provision hereof limits, qualifies or conflicts with another provision hereof or deemed to be incorporated herein which is required to be included or incorporated in this Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

Section 1.8 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.9 Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.10 Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11 Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person (other than the parties hereto and their successors hereunder, any Paying Agent and the Holders) any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.12 Governing Law. THE LAWS OF THE STATE OF NEW YORK
SHALL GOVERN THIS INDENTURE AND THE SECURITIES, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF
CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE
REQUIRED THEREBY.

Section 1.13 Legal Holidays. In any case where any Interest Payment Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity and no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date or Stated Maturity, as the case may be, to the next succeeding Business Day.

Section 1.14 Counterparts. This Indenture may be signed in any number of counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and all such counterparts together shall be deemed an original of this Indenture.

Section 1.15 Immunity of Shareholders, Directors, Officers and Agents of the Company and the Trustee. The Trustee recognizes and agrees that the obligations of the Company under the Indenture and the Securities and all documents delivered in the name of the Company in connection herewith and therewith do not and shall not constitute personal obligations of the directors, officers or shareholders, as such, past, present or future, of the Company, and shall not involve any claim against or personal liability on the part of any of them, and the Trustee agrees to look solely to the assets of the Company in respect thereof and agrees not to seek recourse against such directors, officers or shareholders of the Company or any of their personal assets for such satisfaction.

The obligations of the Trustee under the Indenture and the Securities do not and shall not constitute personal obligations of the directors, officers, shareholders or agents, as such, past, present or future, of the Trustee and shall not involve any claim against or personal liability on the part of any of them and no person shall seek recourse against such directors, officers, shareholders or agents of the Trustee or any of their personal assets for satisfaction thereof.

ARTICLE II

SECURITY FORMS

Section 2.1 Forms Generally. The Securities and the Trustee's certificate of authentication shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The Securities shall be typed, printed, lithographed, photocopied or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 2.2 Form of Face of Security. The form of the face of the Global Securities shall be as set forth below (If a Security is issued in definitive form, the form of such definitive security will be identical to the form of the face of the Global Security, except that the three legends appearing immediately beneath the title of the Security shall be omitted):

CCP INSURANCE, INC.

10 1/2% Senior Notes due 2004

THIS NOTE IS A REGISTERED GLOBAL NOTE AND IS REGISTERED IN THE NAME OF CEDE & CO., AS NOMINEE OF THE DEPOSITORY TRUST COMPANY ("DTC").

UNLESS THIS REGISTERED GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE REGISTERED FORM THIS REGISTERED GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC, OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

No. _____ \$ _____
CUSIP NO. _____

CCP Insurance, Inc., an Indiana corporation (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, the principal sum of _____ Dollars on December 15, 2004 at the office or agency of the Company referred to below, and to pay interest thereon on June 15, 1995, and semi annually thereafter, on December 15 and June 15 in each year, accruing from December 15, 1994 at the rate of 10 1/2% per annum until the principal hereof is paid or duly provided for. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more predecessor securities of the same series) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Securities, to the extent lawful, shall forthwith cease to be payable to the Holder on such Regular Record Date, and may be paid to the Person in whose name this Security (or one or more predecessor securities) is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent

with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal of, and interest on, this Security will be made at the office or agency of the Company maintained for that purpose in New York, New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

CCP INSURANCE, INC.

By:

SEAL

Attest:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

**LTCB TRUST COMPANY,
as Trustee**

By
Authorized Signature

-15-

Section 2.3 Form of Reverse of Security. (a) The form of the reverse of the Securities shall be as set forth below:

This Security is one of a duly authorized issue of Securities of the Company designated as its 10 1/2% Senior Notes due 2004 (herein called the "Securities") limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$200 million, issued and to be issued under an indenture (herein called the "Indenture") dated as of December 15, 1994, between the Company and LTCB Trust Company, as trustee (herein called the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness on this Security and (b) certain restrictive covenants and certain Events of Default, in each case upon compliance with certain conditions set forth therein.

The Securities may not be redeemed prior to their maturity.

If an Event of Default shall occur and be continuing, there may be declared due and payable in the manner and with the effect provided in the Indenture the principal of this Security, plus all accrued and unpaid interest to and including the date the Securities become due and payable.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by or on behalf of the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable on the Security Register of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained for such purpose in New York, New York, or at such other office or agency of the Company as may be maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made to the Holders for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to and at the time of due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ARTICLE III

THE SECURITIES

Section 3.1 Title and Terms. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$200 million, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Sections 3.3, 3.4, 3.5, 3.6, or 9.6.

The Securities shall be known and designated as the "10 1/2% Senior Notes due 2004." Their Stated Maturity shall be December 15, 2004. The Securities shall bear interest at the rate of 10 1/2% per annum from December 15, 1994 or from the most recent interest payment date to which interest has been paid, as the case may be, payable on June 15, 1995 and semiannually thereafter on December 15 and June 15 of each year to the Person in whose name the Security or any predecessor Security is registered at the close of business on the June 1 or December 1 next preceding such interest payment date until the principal thereof is paid or duly provided for. Interest on any overdue principal amount shall be payable on demand.

The principal of, and interest on, the Securities shall be payable, at the office or agency of the Company maintained for such purpose in New York, New York or at such other office or agency of the Company as may be maintained for such purpose; provided, however, that, at the option of the Company, interest may be paid by check mailed to addresses of the Persons entitled thereto as such addresses shall appear on the Security Register.

The Securities are not redeemable prior to Stated Maturity.

At the election of the Company, the entire indebtedness on the Securities or certain of the Company's Obligations and covenants and certain Events of Default thereunder may be defeased as provided in Article IV.

Section 3.2 Denominations. The Securities shall be issuable only in fully registered form, without coupons, and only in denominations of \$1,000 and any integral multiple thereof.

Section 3.3 Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices on the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as provided in this Indenture and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signer and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

In case the Company, pursuant to Article VIII, shall be consolidated or merged with or into any other Person or shall convey, transfer or lease substantially all of its properties and assets to any Person, and the successor Person resulting from such consolidation, or surviving such merger, or into which the Company shall have been merged, or the Person which shall have received a conveyance, transfer or disposition as aforesaid, shall have executed an indenture supplemental hereto with the Trustee pursuant to Article VIII, any of the Securities authenticated or delivered prior to such consolidation, merger, conveyance, transfer or disposition may, from time to time, at the request of the successor Person, be exchanged for other Securities executed in the name of the successor Person with such changes in phraseology and form as may be appropriate, but otherwise in substance of like tenor as the Securities surrendered for such exchange and of like principal amount; and the Trustee, upon Company Request of the successor Person, shall authenticate and deliver Securities as specified in such request for the purpose of such exchange. If Securities shall at any time be authenticated and delivered in any new name of a successor Person pursuant to this Section in exchange or substitution for or upon registration of transfer of any Securities, such successor Person, at the option of the Holders but without expense to them, shall provide for the exchange of all Securities at the time Outstanding for Securities authenticated and delivered in such new name.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities on behalf of the Trustee. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so except upon original issuance. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Security Registrar or Paying Agent to deal with the Company and its Affiliates.

Section 3.4 Temporary Securities. Pending the preparation of definitive Securities or a permanent Global Security, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities or a permanent Global Security in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities or beneficial interests in a permanent Global Security, as the case may be, upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to

Section 10.2, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities or beneficial interests in a permanent Global Security, as the case may be.

Section 3.5 Registration, Registration of Transfer and Exchange. The Company shall cause to be kept at one of its offices or agencies maintained pursuant to Section 10.2 a register (the register maintained in such office and in any other office or agency designated pursuant to Section 10.2 being herein sometimes referred to as the "Security Register") in which subject to such reasonable regulations as the Security Registrar may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering securities and transfers of Securities as herein provided, subject to Section 10.2.

Upon surrender for registration or transfer of any Security at the office or agency of the Company designated pursuant to Section 10.2, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate principal amount.

At the option of the Holder, Securities (except a Global Security) may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a portion of the Securities may not be transferred except as a whole by the Depository to the nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or to a nominee of such successor Depository.

The Depository must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Exchange Act, and any other applicable statute or regulation.

If at any time the Depository for the Securities notifies the Company that it is unwilling or unable to continue as Depository for the Securities or if at any time the Depository for the Securities shall no longer be eligible as provided in the preceding paragraph, the Company shall appoint a successor Depository with respect to the Securities. If a successor Depository for the Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a written order of the Company for the authentication and delivery of definitive Securities, will authenticate and deliver as specified in such written order, Securities in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities, will authenticate and deliver as specified in such written order, Securities in definitive form and in an aggregate principal amount equal to the principal amount of the Global Security or Securities in exchange for such Global Security or Securities.

In any exchange provided for in either of the preceding two paragraphs, the Company will execute and the Trustee will authenticate and deliver Securities in definitive registered form in authorized denominations.

Upon the exchange of a Global Security for Securities in definitive form, such Global Security shall be cancelled by the Trustee. Securities issued in exchange for the Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary shall instruct the Trustee. The Trustee shall deliver such Securities to the persons in whose names such Securities are so registered.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer, or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his or her attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.3, 3.4 or 9.6 not involving any transfer.

Section 3.6 Mutilated, Destroyed, Lost and Stolen Securities. If (a) any mutilated Security is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company and the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay any such Security.

Upon the issuance of any new Securities under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 3.6 in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 3.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 3.7 Payment of Interest; Interest Rights Preserved. Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name the Security (or one or more predecessor securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date and interest on such defaulted interest at the then applicable interest rate borne by the Securities, to the extent lawful (such defaulted interest and interest thereon herein collectively called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the Regular Record Date by virtue of having been such Holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Subsection (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective predecessor securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, and such money when deposited shall be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company in writing of such Special Record Date. In the name and at the expense of the Company, the Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his or her address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective predecessor securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.8 Persons Deemed Owners. Prior to and at the time of due presentment for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal of, and (subject to Section 3.7) interest on, such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Section 3.9 Cancellation. All Securities surrendered for payment, registration of transfer or exchange shall be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be destroyed and certification of their destruction delivered to the Company, unless by a Company Order the Company directs that cancelled Securities be returned to it.

Section 3.10 Computation of Interest. Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE IV

DEFEASANCE AND COVENANT DEFEASANCE

-25-

Section 4.1 Company's Option to Effect Defeasance or Covenant Defeasance. The Company may, at its option by Board Resolution, at any time, with respect to the Outstanding Securities, elect to have either Section 4.2 or Section 4.3 be applied to the Outstanding Securities upon compliance with the conditions set forth below in this Article IV.

Section 4.2 Defeasance and Discharge. Upon the Company's exercise under Section 4.1 of the option applicable to this Section 4.2, the Company shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities on the date the conditions set forth below are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 4.5 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, and, upon written request, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of Outstanding Securities to receive solely from the trust fund described in

Section 4.4 and as more fully set forth in such Section, payments in respect of the principal of, and interest on, such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 3.4, 3.5, 3.6 and 10.2, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder, including, without limitation, the Trustee's rights under Section 6.7, and (D) this Article IV.

Section 4.3 Covenant Defeasance. Upon the Company's exercise under Section 4.1 of the option applicable to this Section 4.3, the Company shall be released from its obligations under any covenant contained in Section

10.4 (except to the extent it applies to the continued corporate existence of the Company) and Sections 10.6 and 10.7, with respect to the Outstanding Securities on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance"), and the Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or Article, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or Article or by reason of any reference in any such Section or Article to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(c), but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

-26-

Section 4.4 Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of either Section 4.2 or Section 4.3 to the Outstanding Securities:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 6.9 who shall agree to comply with the provisions of this Article IV applicable to it) as trust funds in trust for the purpose of the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) cash in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of, and interest on, the Outstanding Securities on the Stated Maturities of such principal and interest installments; provided that the Trustee shall have been irrevocably instructed, by Company Order, to apply such money or the proceeds of such U.S. Government Obligations to said payments with respect to the Securities. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by such custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) No Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit or, insofar as subsections 5.1(f) and (g) are concerned, at any time during the period ending on the 91st day after the date of such deposit.

(3) Such defeasance or covenant defeasance shall not cause the Trustee for the Securities to have a conflicting interest as defined in Section 6.8 and for purposes of the Trust Indenture Act with respect to any securities of the Company.

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound.

(5) In the case of an election under Section 4.2, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y) since the date hereof, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(6) In the case of an election under Section 4.3, the Company shall have delivered to the Trustee an Opinion of Counsel stating that the Holders of the Outstanding Securities will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance.

(7) In the case of an election under either Section 4.2 or 4.3, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit neither constitutes, nor is qualified as, a regulated investment company under the Investment Company Act of 1940.

(8) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 4.2 or the covenant defeasance under Section 4.3 (as the case may be) have been complied with.

Section 4.5 Deposited Money and U.S. Government Obligations to Be Held in Trusts; Other Miscellaneous Provisions. All money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee -- collectively for purposes of this section 4.5, the "Trustee") pursuant to Section 4.4 in respect of the Outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 4.4 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities.

Anything in this Article IV to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in

Section 4.4 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

Section 4.6 Reinstatement. If the Trustee is unable to apply any money or U.S. Government Obligations in accordance with this Article IV by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article IV until such time as the Trustee is permitted to apply all such money or U.S. Government Obligations in accordance with this Article IV; provided, however, that, if the Company has made any payment of interest on, or principal of, any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee.

ARTICLE V

REMEDIES

Section 5.1 Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment when due of the principal of any Security at its Stated Maturity; or
- (b) default in the payment of any interest on any Security when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (c) default in the performance, or breach, of any terms, covenant or warranty of the Company contained in the Securities or this Indenture, and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) default with respect to any Obligation of the Company (other than its Obligations under the Securities), or of any Subsidiary, whether as principal, guarantor, surety or other obligor, for the payment of any Indebtedness having an aggregate principal amount in excess of \$10 million and (i) either (1) such default is upon the Stated Maturity of such Indebtedness or (2) as a result of such default the maturity of such Indebtedness has been accelerated prior to its Stated Maturity and (ii) such Indebtedness has not been paid in full or such acceleration has not been rescinded, annulled, or waived prior to the entry of a final judgment in favor of the holders thereof; or

(e) one or more final and nonappealable judgments, orders or decrees which require the payment in money, either individually or in an aggregate amount, of more than \$10 million shall be entered against the Company or any Subsidiary or any of their respective properties which is not adequately covered by insurance or bond (subject to reasonable deductibles) and shall not be discharged and there shall have been a period of 60 days during which stays of the enforcement of such judgments or orders, by reason of pending appeal or otherwise, shall not be in effect; or

(f) the entry by a court having jurisdiction in the premises of a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, rehabilitation, liquidation, conservation or supervision or other similar law now or hereafter in effect or appointing a custodian, rehabilitator, conservator, supervisor, trustee, sequestrator or other similar official of the Company or any Significant Subsidiary for any substantial part of its or their property, or ordering the winding up or liquidation of its or their affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(g) the commencement by the Company or any Significant Subsidiary of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, rehabilitation, liquidation, conservation or supervision or other similar applicable law now or hereafter in effect, or the consent by the Company or any Significant Subsidiary to the entry of a decree or order for relief in respect of the Company or such Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, rehabilitation, liquidation, conservation or supervision or other similar applicable law now or hereafter in effect, or to the commencement of any bankruptcy, insolvency or similar case or proceeding against it, or the consent by the Company or any Significant Subsidiary to the filing of such petition or the appointment of or taking possession by a receiver, liquidator, assignee, custodian, rehabilitator, conservator, supervisor, trustee, sequestrator or similar official of the Company or any such Significant Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by the Company or any Significant Subsidiary in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or any Significant Subsidiary in furtherance of any such action.

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any event which is or with the giving of notice or the lapse of time would become an event which is or with the giving of notice or the lapse of time would become an Event of Default, its status and what action the Company is taking or proposes to take with respect thereto.

Section 5.2 Acceleration of Maturity; Rescission and Annulment. If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities Outstanding may, and the Trustee upon the request of the Holders of not less than 25% in aggregate principal amount of the Securities Outstanding shall, declare the principal of all the Securities to be due and payable immediately in an amount equal to the principal amount of the Securities, together with accrued and unpaid interest to the date the Securities become due and payable, by a notice in writing to the Company and, upon any such declaration such principal and all interest and other amounts shall become due and payable, immediately. If an Event of Default specified in Section 5.1(f) or (g) occurs and is continuing, then the principal of all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay

(1) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel,

(2) all overdue interest on all Securities,

(3) the principal of any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, and

(4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities; and

(b) all Events of Default, other than the nonpayment of principal of the Securities which have become due solely by such declaration of acceleration, shall have been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 5.3 Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if:

(a) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of principal of any Security at the Stated Maturity thereof, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest, with interest upon the overdue principal and, to the extent that payment of such interest shall be legally enforceable, upon overdue installments of interest, at the rate borne by the Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.4 Trustee May File Proofs of Claims. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, rehabilitation, conservation, arrangement, adjustment, composition or other judicial proceeding relative to the Company or the property of the Company, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.5 Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 5.6 Application of Money Collected. Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.7;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 5.7 Limitation of Suits. No Holder of any Securities shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default;
- (b) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) such Holder or Holders have offered to the Trustee reasonable indemnity satisfactory to the Trustee against the cost, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, distribute or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Section 5.8 Unconditional Right of Holders to Receive Principal and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right on the terms stated herein, which is absolute and unconditional, to receive payment of the principal of, and (subject to Section 3.7) interest on, such Security on the respective Stated Maturities expressed in such Security and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 5.9 Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding has been instituted.

Section 5.10 Rights and Remedies Cumulative. Except as provided in Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Trustee and the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 5.12 Control by Holders. The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 6.1, that the Trustee determines is unduly prejudicial to the rights of other Holders of Securities or would involve the Trustee in personal liability with respect to which reasonable indemnity satisfactory to the Trustee is not available; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to the taking of any action hereunder, the Trustee shall be entitled to reasonable indemnification satisfactory to the Trustee against all losses and expenses caused by taking or not taking such action. This paragraph shall be in lieu of Section 316(a)(1)(A) of the Trust Indenture Act and such Section 316(a)(1)(A) is hereby expressly excluded from this Indenture, as permitted by the Trust Indenture Act.

The Company may state a record date for purposes of determining the identity of Holders of Securities entitled to vote or consent to any action by vote or consent authorized or permitted by Subsection 316(a) of the Trust Indenture Act. Such record date shall be the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders of Securities furnished to the Trustee pursuant to Section 7.1 of this Indenture prior to such solicitation.

Section 5.13 Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past Default hereunder and its consequences, except a Default:

- (a) in the payment of the principal of or interest on any Security, for which a waiver of past default shall require the consent of each Holder of Outstanding Securities, or
- (b) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security affected for which a waiver of past default shall require the consent of each Holder of Outstanding Securities.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 5.14 Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

THE TRUSTEE

Section 6.1 Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default:

- (A) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements for this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its negligent action, its own negligent failure to act, or its own willful misconduct, except that no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this section and to the provisions of the Trust Indenture Act.

Section 6.2 Notice of Defaults. Within 90 days after the occurrence of any Default hereunder, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, notice of such Default hereunder known to the Trustee, unless such Default shall have been cured or waived; provided, however, that, except in the case of a Default in the payment of the principal of or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as a trust committee of Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders.

Section 6.3 Certain Rights of Trustee. Subject to the provisions of Section 6.1:

- (a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;
- (c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate and Opinion of Counsel;
- (d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it herein in good faith and in reliance thereon;
- (e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;
- (f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, condition, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 6.4 Not Responsible for Recitals or Issuance of Securities. The recitals contained herein, and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of the Securities or the proceeds thereof.

Section 6.5 May Hold Securities. The Trustee, any Paying Agent, Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities, and, subject to Sections 6.8 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 6.6 Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder.

Section 6.7 Compensation and Reimbursement. The Company agrees

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

To secure the Company's payment obligations in this Section 6.7, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee except such money and property held in trust to pay principal of and interest on particular Securities. Such payment obligations and lien shall survive satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(f) or (g) occurs, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy law.

Section 6.8 Qualification of Trustee; Conflicting Interests. The Trustee shall be subject to and comply with the provisions of Section 310(b) of the Trust Indenture Act regarding the disqualification of the Trustee in the event that it acquires any conflicting interest as therein defined.

Section 6.9 Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which satisfies the requirements of Trust Indenture Act Sections 310(a)(1) and 310(a)(5), has a combined capital and surplus of at least \$50,000,000 and is subject to supervision or examination by Federal or State authority. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.10 Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by an Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

- (i) the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 6.8 hereof after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months unless the Trustee's duty to resign is stayed in accordance with Section 310(b) of the Trust Indenture Act, or
- (ii) the Trustee shall cease to be eligible under Section 6.9 and shall fail to resign after written request therefor by the Company or by any such Holder, or
- (iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any case, (1) the Company by a Board Resolution may remove the Trustee, or (2) subject to Section 315(e) of the Trust Indenture Act, the Holder of any Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall not have been appointed by the Company, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, and the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders of the Securities and accepted appointment in the manner hereinafter provided, the Trustee or the Holder of any Security who has been a bona fide Holder for at least six months may, subject to Section 315(e) of the Trust Indenture Act, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by written notice of such event by first-class mail, postage prepaid, to the Holders of Securities as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 6.11 Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder subject to the lien provided in Section 6.7. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers, trusts and duties.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Notwithstanding replacement of the Trustee pursuant to Section 6.10, the Company's obligations under Section 6.7 shall continue for the benefit of the retiring Trustee with respect to expenses, losses and liabilities incurred by it prior to such replacement.

Section 6.12 Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.13 Preferential Collection of Claim Against Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of that Act. If the present or any future Trustee shall resign or be removed, it shall be subject to
Section 311(a) of the Trust Indenture Act to the extent provided therein.

ARTICLE VII

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 7.1 Preservation of Information; Company to Furnish Trustee Names and Addresses of Holders. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. Neither the Company nor the Trustee shall be under any responsibility with regard to the accuracy of such list. The Company, in furnishing information concerning Holders to the Trustee, and the Trustee will satisfy the requirements imposed upon each of them by Section 312(a) of the Trust Indenture Act.

Section 7.2 Communications to Holders. Holders may communicate with other Holders with respect to their rights under this Indenture or under the Securities pursuant to Section 312(b) of the Trust Indenture Act. The Company and the Trustee and any and all other Persons benefitted by this Indenture shall have the protection afforded by Section 312(c) of the Trust Indenture Act.

Section 7.3 Reports by Trustee. Within 60 days after each May 15, commencing May 15, 1995, the Trustee shall mail to Holders a brief report dated as of such date that complies with Section 313(a) of the Trust Indenture Act, but only if such report is required in any year under such Section 313(a) of the Trust Indenture Act. The Trustee shall also comply with Sections 313(b) and 313(c) of the Trust Indenture Act. At the time of its mailing to Holders, a copy of each report shall be filed with the Commission and with each stock exchange on which the Securities are listed. The Company shall notify the Trustee when and if the Securities are listed on any stock exchange.

Section 7.4 Reports by Company. The Company shall file such annual and/or periodic reports and certificates with the Trustee and/or with the Commission and/or with the Holders as are required by the provisions of Section 314(a) of the Trust Indenture Act. Reports filed with the Commission shall be filed with the Trustee within fifteen days thereafter.

ARTICLE VIII

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 8.1 Company May Consolidate, Etc., Only On Certain Terms. (a) The Company shall not consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets as an entirety to any Person, unless:

- (i) either (1) the Company shall be the continuing corporation or (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person that acquires, by sale, assignment, conveyance, transfer, lease or disposition, all or substantially all of the properties and assets of the Company as an entirety (A) shall be a corporation, partnership or trust organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (B) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, and interest on, all the Securities and the performance and observance of every covenant of this Indenture on the part of the Company to be performed or observed;
- (ii) immediately before and immediately after giving pro forma effect to such transaction (and treating any Indebtedness not previously an obligation of the Company or a Subsidiary which becomes the obligation of the Company or any of its Subsidiaries or such Person and its subsidiaries in connection with or as a result of such transaction as having been incurred by the Company at the time of such transaction), no Default shall have occurred and be continuing; and

(iii) the Company or such Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the conditions specified in clauses (i) and (ii) above have been satisfied.

Section 8.2 Successor Substituted. Upon any consolidation or merger, or any sale, assignment, conveyance, transfer or disposition of all or substantially all of the properties and assets of the Company, as an entirety in accordance with Section 8.1, the successor Person formed by such consolidation or into which the Company is merged or the successor Person to which such sale, assignment, conveyance, transfer or disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, the Company shall be discharged from all obligations and covenants under this Indenture and the Securities.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1 Supplemental Indentures without Consent of Holders. Without the consent of any Holders, the Company when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities; or
- (b) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or
- (c) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters arising under this Indenture; provided, that, in each such case, such provisions shall not adversely affect the interests of the Holders; or
- (d) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act, as contemplated by Section 9.5 or otherwise.

Section 9.2 Supplemental Indentures with Consent of Holders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

- (a) change the Stated Maturity of the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, or change the coin or currency in which any Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof; or
- (b) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain Defaults hereunder and their consequences) provided for in this Indenture; or
- (c) modify any of the provisions of this Section or Section 5.13 except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby.

Upon the request of the Company, accompanied by a copy of a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.3 Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.4 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.5 Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 9.6 Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

Section 9.7 Record Date. The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any supplemental indenture or any waiver. If a record date is fixed those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such supplemental indenture or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

ARTICLE X

COVENANTS

Section 10.1 Payment of Principal and Interest. The Company will duly and punctually pay the principal of, and interest on, the Securities in accordance with the terms of the Securities and this Indenture.

Section 10.2 Maintenance of Office or Agency. The Company will maintain an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The office of the Trustee at its Corporate Trust Office shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes, and may from time to time rescind such designation. The Company will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such office or agency.

Section 10.3 Money for Security Payments to Be Held in Trust. If the Company shall at any time act as its own Paying Agent, it will, on or not more than one Business Day before each due date of the principal of, or interest on, any of the Securities, segregate and hold in trust for the benefit of the Holders entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

If the Company is not acting as Paying Agent, the Company will, not later than the close of business one Business Day prior to each due date of the principal of, or interest on, any Securities, deposit with a Paying Agent a sum in same day funds sufficient to pay the principal or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of such action or any failure so to act.

If the Company is not acting as Paying Agent, the Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (a) hold all sums held by it for the payment of the principal of, or interest on, Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (b) give the Trustee notice of any default by the Company in the making of any payment of principal or interest;
- (c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and
- (d) acknowledge, accept and agree to comply in all aspects with the provisions of this Indenture relating to the duties, rights and disabilities of such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, or interest on, any Security and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, or mail to each such Holder, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification, publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 10.4 Corporate Existence. Subject to Article VIII, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence, rights (charter and statutory) and franchises of the Company and each Subsidiary; provided, however, that the Company shall not be required to preserve any such right or franchise if it shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders; and provided, further, however, that the foregoing shall not prohibit a sale, transfer or conveyance in compliance with the terms of this Indenture.

Section 10.5 Compliance Certificate. The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating as to each such officer signing such Officers' Certificate, that to the best of his or her knowledge each has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action each is taking or proposes to take with respect thereto). The Officers' Certificate delivered pursuant to this Section 10.5 shall include the signature of the Company's principal executive officer, the principal financial officer or the principal accounting officer.

Section 10.6 Limitation on Issuance or Disposition of Stock of Significant Subsidiaries. The Company will not, nor will it permit any Significant Subsidiary to, issue, sell or otherwise dispose of any shares of Capital Stock (other than non-voting Preferred Stock) of any Significant Subsidiary, except for (i) directors' qualifying shares; (ii) sales or other dispositions to the Company or to one or more wholly-owned Significant Subsidiaries; (iii) the sale or other disposition of all or any part of the Capital Stock of any Significant Subsidiary for consideration which is at least equal to the fair value of such Capital Stock as determined by the Company's board of directors (acting in good faith); or (iv) any issuance, sale, assignment, transfer or other disposition made in compliance with an order of a court or regulatory authority of competent jurisdiction, other than an order issued at the request of the Company or any Significant Subsidiary.

Section 10.7 Limitation on Liens. Except as provided below, neither the Company nor any Significant Subsidiary may incur, issue, assume or guarantee any Indebtedness secured by a Lien on any property or assets of the Company or any Significant Subsidiary, or any shares of Capital Stock of any Significant Subsidiary, without effectively providing that the Securities (together with, if the Company shall so determine, any other Indebtedness which is not subordinated to the Securities) shall be secured equally and ratably with (or prior to) such Indebtedness, so long as such Indebtedness shall be so secured; provided, however, that this covenant shall not apply to Indebtedness secured by (i) Liens existing on the date of the Indenture; (ii) Liens on property of, or on any shares of stock of, any corporation existing at the time such corporation becomes a Significant Subsidiary or merges into or consolidates with the Company or a Significant Subsidiary; (iii) Liens on property or on shares of stock existing at the time of acquisition thereof by the Company or any Significant Subsidiary; (iv) Liens to secure the financing of the acquisition, construction or improvement of property, or the acquisition of shares of stock by the Company or any Significant Subsidiary, provided that such Liens are created not later than one year after such acquisition or, in the case of property, not later than one year after completion of construction or commencement of commercial operation, whichever is later, are limited to the property acquired, constructed or improved or the shares of stock acquired and do not secure indebtedness in excess of the cost of such acquisition, construction or improvement; (v) Liens in favor of the Company or any wholly-owned Subsidiary; (vi) Liens required by governmental authorities; and (vii) any extension, renewal or replacement as a whole or in part, of any Lien referred to in the foregoing clauses (i) to (vi) inclusive; provided, however, that (a) such extension, renewal or replacement Lien shall be limited to all or a part of the same property or shares of stock that secured the Lien extended, renewed or replaced and (b) the Indebtedness secured by such Lien at such time is not so increased.

ARTICLE XI

REDEMPTION OF SECURITIES

Section 11.1 No Right of Redemption. The Securities may not be redeemed prior to their Stated Maturity.

ARTICLE XII

SATISFACTION AND DISCHARGE

Section 12.1 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Securities herein expressly provided for) as to all Outstanding Securities and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

- (a) either (1) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or
- (2) all such Securities not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in the trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit;
- (b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and
- (c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.7 shall survive and, if money shall have been deposited with the Trustee pursuant to subclause (2) of Subsection (a) of this Section, the obligations of the Trustee under Section 12.2 and the last paragraph of Section 10.3 shall survive.

Section 12.2 Application of Trust Money. Subject to the provisions of the last paragraph of Section 10.3, all money deposited with the Trustee pursuant to Section 12.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CCP INSURANCE, INC.

By /s/ STEPHEN C. HILBERT

*Name:Stephen C. Hilbert
Title:Chairman of the Board and
Chief Executive Officer*

Attest:/s/LAWRENCE W. INLOW

*Name: Lawrence W. Inlow
Title:Secretary*

**LTCB TRUST COMPANY,
as Trustee**

By /s/HELMUT LANGEFELD

*Name:Helmut Langefeld
Title:Executive Vice President*

Attest:/s/ BARBARA BEVELAQUA

*Name:Barbara Bevelaqua
Title:Vice President*

STATE OF NEW YORK
) ss.:
COUNTY OF RICHMOND)

On the 22nd day of December, 1994, before me personally came Helmut Langefeld, to me known, who being by me duly sworn, did depose and say that he/she resides at 204 Euston Road Garden City, NY 11530; that he is Executive Vice President of LTCB Trust Company, one of the entities described in and which executed the above instrument; that he/she knows the corporate seal of such corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed pursuant to authority of the Board of Directors of such entity; and that he/she signed his/her name thereto pursuant to like authority.

(NOTARIAL SEAL)

/s/EDNA G. ASTUTO

Notary Public of the State
of New York

STATE OF INDIANA)

)ss.:

COUNTY OF HAMILTON)

On the 20th day of December, 1994, before me personally came Stephen C. Hilbert, to me known, who being by me duly sworn, did depose and say that he/she resides at c/o 11825 North Pennsylvania Street, Carmel, Indiana; that he is Chairman of CCP INSURANCE, INC., one of the corporations described in and which executed the above instrument; that he knows the corporate seal of such corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed pursuant to authority of the Board of Directors of such corporation; and that he signed his name thereto pursuant to like authority.

(NOTARIAL SEAL)

/s/ Cindy J. Newman

Notary Public of Indiana
Hamilton County

CCP INSURANCE, INC.

as Issuer

and

LTCB TRUST COMPANY

as Trustee

INDENTURE

Dated as of December 15, 1994

\$200,000,000 10 1/2% Senior Notes due 2004

Reconciliation and tie between Trust Indenture Act of 1939
and Indenture, dated as of December 15, 1994

Trust Indenture Act Section

Indenture Section

ss.ss.310(a)(1)	6.9
(a)(2)	6.9
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	6.9
(b)	6.8, 6.10
ss.ss.311(a)	6.13
(b)	6.13
ss.ss.312(a)	7.1
(b)	7.2
(c)	7.2
ss.ss.313(a)	7.3
(b)	7.3
(c)	7.3
(d)	7.3
ss.ss.314(a)	7.4
(a)(4)	1.2
(b)	Not Applicable
(c)(1)	1.2
(c)(2)	1.2
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	1.2
ss.ss.315(a)	6.1(a)
(b)	1.5, 6.2
(c)	6.1(b)
(d)	6.1
(e)	1.7
ss.ss.316(a)	5.12
(a)(1)(A)	5.2, 5.12
(a)(1)(B)	5.13
(a)(2)	Not Applicable
(b)	5.8
(c)	5.12
ss.ss.317(a)(1)	5.3
(a)(2)	5.4
(b)	10.3
ss.ss.318(a)	1.7

Note: This reconciliation and tie shall not, for any purpose,
be deemed to be a part of the Indenture.

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1	Definitions.....
Section 1.2	Compliance Certificates and Opinions.....
Section 1.3	Form of Documents Delivered to Trustee.....
Section 1.4	Acts of Holders.....
Section 1.5	Notices, etc., to Trustee and Company.....
Section 1.6	Notice to Holders; Waiver.....
Section 1.7	Trust Indenture Act.....
Section 1.8	Effect of Headings and Table of Contents.....
Section 1.9	Successors and Assigns.....
Section 1.10	Separability Clause.....
Section 1.11	Benefits of Indenture.....
Section 1.12	Governing Law.....
Section 1.13	Legal Holidays.....
Section 1.14	Counterparts.....
Section 1.15	Immunity of Shareholders, Directors, Officers and Agents of the Company and the Trustee.....

ARTICLE II
SECURITY FORMS

Section 2.1	Forms Generally.....
Section 2.2	Form of Face of Security.....
Section 2.3	Form of Reverse of Security.....

ARTICLE III
THE SECURITIES

Section 3.1	Title and Terms.....
Section 3.2	Denominations.....
Section 3.3	Execution, Authentication, Delivery and Dating.....
Section 3.4	Temporary Securities.....
Section 3.5	Registration, Registration of Transfer and Exchange.....
Section 3.6	Mutilated, Destroyed, Lost and Stolen Securities.....
Section 3.7	Payment of Interest; Interest Rights Preserved.....
Section 3.8	Persons Deemed Owners.....
Section 3.9	Cancellation.....
Section 3.10	Computation of Interest.....

ARTICLE IV
DEFEASANCE AND COVENANT DEFEASANCE

Section 4.1	Company's Option to Effect Defeasance or Covenant Defeasance.....
Section 4.2	Defeasance and Discharge.....
Section 4.3	Covenant Defeasance.....
Section 4.4	Conditions to Defeasance or Covenant Defeasance.....
Section 4.5	Deposited Money and U.S. Government Obligations To Be Held in Trusts; Other Miscellaneous Provisions.....
Section 4.6	Reinstatement.....

ARTICLE V
REMEDIES

Section 5.1	Events of Default.....
Section 5.2	Acceleration of Maturity; Rescission and Annulment.....
Section 5.3	Collection of Indebtedness and Suits for Enforcement by Trustee.....
Section 5.4	Trustee May File Proofs of Claims.....
Section 5.5	Trustee May Enforce Claims Without Possession of Securities.....
Section 5.6	Application of Money Collected.....
Section 5.7	Limitation of Suits.....
Section 5.8	Unconditional Right of Holders to Receive Principal and Interest.....
Section 5.9	Restoration of Rights and Remedies.....
Section 5.10	Rights and Remedies Cumulative.....
Section 5.11	Delay or Omission Not Waiver.....
Section 5.12	Control by Holders.....
Section 5.13	Waiver of Past Defaults.....
Section 5.14	Waiver of Stay or Extension Laws.....

ARTICLE VI
THE TRUSTEE

Section 6.1	Certain Duties and Responsibilities.....
Section 6.2	Notice of Defaults.....
Section 6.3	Certain Rights of Trustee.....
Section 6.4	Not Responsible for Recitals or Issuance of Securities.....
Section 6.5	May Hold Securities.....
Section 6.6	Money Held in Trust.....
Section 6.7	Compensation and Reimbursement.....
Section 6.8	Qualification of Trustee; Conflicting Interests.....

Section 6.9	Corporate Trustee Required; Eligibility.....
Section 6.10	Resignation and Removal; Appointment of Successor.....
Section 6.11	Acceptance of Appointment by Successor.....
Section 6.12	Merger, Conversion, Consolidation or Succession to Business.....
Section 6.13	Preferential Collection of Claim Against Company.....

ARTICLE VII
HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 7.1	Preservation of Information; Company to Furnish Trustee Names and Addresses of Holders.....
Section 7.2	Communications to Holders.....
Section 7.3	Reports by Trustee.....
Section 7.4	Reports by Company.....

ARTICLE VIII
CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 8.1	Company May Consolidate, Etc., Only On Certain Terms
Section 8.2	Successor Substituted

ARTICLE IX
SUPPLEMENTAL INDENTURES

Section 9.1	Supplemental Indentures without Consent of Holders
Section 9.2	Supplemental Indentures with Consent of Holders
Section 9.3	Execution of Supplemental Indentures
Section 9.4	Effect of Supplemental Indentures
Section 9.5	Conformity with Trust Indenture Act
Section 9.6	Reference in Securities to Supplemental Indentures
Section 9.7	Record Date

ARTICLE X
COVENANTS

Section 10.1	Payment of Principal and Interest
Section 10.2	Maintenance of Office or Agency
Section 10.3	Money for Security Payments to Be Held in Trust

Section 10.4	Corporate Existence
Section 10.5	Compliance Certificate
Section 10.6	Limitation on Issuance or Disposition of Stock of Significant Subsidiaries
Section 10.7	Limitation on Liens

ARTICLE XI

REDEMPTION OF SECURITIES

Section 11.1	No Right of Redemption
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ARTICLE XII
SATISFACTION AND DISCHARGE

Section 12.1	Satisfaction and Discharge of Indenture.....
Section 12.2	Application of Trust Money

BORROWER SHARED PLEDGE AGREEMENT

dated as of August 31, 1995

between

CONSECO, INC.

and

**BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,**

as Administrative Agent

BORROWER SHARED PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Agreement"), dated as of August 31, 1995, is made between Conseco, Inc., an Indiana corporation (herein, called the "Pledgor"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Administrative Agent for the Banks (each as hereinafter defined) and the holders of the Senior Notes (as hereinafter defined) (the "Administrative Agent"). This is the Borrower Shared Pledge Agreement referred to in that certain Credit Agreement (as from time to time, in whole or in part, amended, modified, supplemented, restated, refinanced, refunded or renewed, the "Credit Agreement"), dated as of August 31, 1995, among the Pledgor, the financial institutions who are or from time to time become party thereto (the "Banks"), The Chase Manhattan Bank, N.A. and First Union National Bank of North Carolina, as Documentation Agents for the Banks, The Bank of New York, The Bank of Tokyo Trust Company, Credit Lyonnais Cayman Island Branch, Deutsche Bank AG, New York Branch, Dresdner Bank, ING Capital Corporation, The Long-Term Credit Bank of Japan, Ltd., Chicago Branch, NationsBank of Georgia, N.A., Shawmut Bank Connecticut, N.A. and Societe Generale, as Managing Agents for the Banks, and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks.

BACKGROUND:

1. Pursuant to the terms of the Credit Agreement, the Banks have agreed to make certain Loans (as hereinafter defined) to the Pledgor which shall be used by the Pledgor as provided in the Credit Agreement.
2. As security for the Loans and as a condition precedent to the making thereof, the Banks have required that the Pledgor execute and deliver this Agreement.
3. Pursuant to the Section 10.7 of (a) the Indenture dated as of February 18, 1993 between the Pledgor and Shawmut Bank Connecticut, National Association, as trustee (as the same may be amended or modified, the "Conseco Indenture"), and (b) the Indenture dated as of December 15, 1994 between CCP Insurance, Inc. ("CCPI") and LTCB Trust Company, as trustee (as the same may be amended or modified, the "CCPI Indenture", and together with the Conseco Indenture, collectively called, the "Indentures"), subject to certain exceptions, neither the Pledgor nor any Significant Subsidiary (as defined in the Indentures) may incur, issue, assume or guarantee any indebtedness secured by a lien on any property or assets of the Pledgor or any Significant Subsidiary, or any shares of capital stock of any Significant Subsidiary, without providing that the Senior Notes (the "Senior Notes") issued pursuant to the Indentures shall be secured equally and ratably with (or prior to) such indebtedness.

NOW, THEREFORE, in consideration of any Loan or other financial accommodation heretofore or hereafter at any time made or granted by the Banks to the Pledgor and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor agrees with the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that:

SECTION 1 Definitions. Capitalized terms used herein, unless otherwise specified, shall have the meanings assigned thereto in the Credit Agreement; provided that such definitions shall survive any termination of the Credit Agreement. In addition, when used herein the following terms shall have the following meanings:

"BLHC" shall mean Bankers Life Holding Corporation, a Delaware corporation.

"CCPI" - see Preamble.

"CCPI Indenture" - see Preamble.

"Collateral" - see Section 2.

"Conseco Indenture" - see Preamble.

"Indemnified Liabilities" - see Section 7(b)(vi).

"Indentures" - see Preamble.

"Issuer" shall mean each Wholly-Owned Subsidiary, BLHC and any other Person which is the issuer of any capital stock or Securities or other Collateral pledged hereunder.

"JNL-TX" shall mean Jefferson National Life Insurance Company of Texas, a Texas corporation.

"Permitted Actions" - see Section 5(b).

"Pledged Shares" - see Section 2.

"Pledged Surplus Debentures" - see Section 2.

"Secured Obligations" shall mean (a) the CCPI Senior Note Obligations (as defined in the Credit Agreement), (b) the Conseco Senior Note Obligations (as defined in the Credit Agreement), and (c) the Liabilities.

"Secured Obligee" shall mean, collectively, (a) with respect to the CCPI Senior Note Obligations, the holders of the Senior Notes under the CCPI Indenture (or their representative), (b) with respect to the Conseco Senior Note Obligations, the holders of the Senior Notes under the Conseco Indenture (or their representative), and (c) with respect to the Liabilities, the Banks or Administrative Agent.

"Securities" shall mean securities (whether debt or equity) issued by each Issuer (to the extent permitted by the Applicable Insurance Code and other than obligations of each Issuer pursuant to the Servicing Agreements and insurance policies or other insurance products which may constitute securities) including, without limitation, the common and preferred stock, partnership units and participations, notes, bonds, debentures, trust receipts and other obligations or instruments, including debt instruments and tax-exempt securities of each Issuer (including, without limitation, warrants, rights tied to earnings, put and call options and other options relating thereto or any combination thereof), or any instruments convertible into any of the foregoing.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect from time to time in the State of Illinois.

"Wholly-Owned Subsidiaries" shall mean, collectively, each Person listed on Schedule 1 hereto and any other Person in which (other than directors' qualifying shares required by law) 100% of the capital stock or other ownership interests is owned, beneficially and of record, by such Person, or by one or more of other Wholly-Owned Subsidiaries, or both; provided that such Person, if not a direct wholly-owned subsidiary of the Pledgor, is a Significant Subsidiary of the Pledgor.

SECTION 2 Pledge. To secure the prompt and complete payment and performance of the Secured Obligations, the Pledgor hereby grants, pledges, hypothecates, assigns, transfers, sets over and delivers unto the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, a Lien on the following (herein collectively called the "Collateral"):

- (a) the shares of capital stock of each Issuer and all other Securities, if any, described in Schedule 2 hereto, whether in certificated form or otherwise, including the certificates representing or evidencing such shares of capital stock or other Securities (herein called the "Pledged Shares"), together with all cash, securities, interests, dividends, rights, notes, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares;
- (b) all additional shares of capital stock of each Issuer and other Securities from time to time acquired by the Pledgor in any manner including, without limitation, any uncertificated Securities (which additional shares of capital stock and Securities shall constitute a part of, and be, "Pledged Shares"), and, in the case of certificated Securities, the certificates representing or evidencing such additional shares, together with all cash, securities, interest, dividends, rights, notes, instruments and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional shares;
- (c) the Surplus Debenture in respect of indebtedness to the Pledgor issued by JNL-TX and listed in Schedule 3 hereto (herein called the "Pledged Surplus Debentures") together with all cash, securities, interests, rights, debentures, notes, instruments and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Surplus Debentures;
- (d) all additional surplus debentures acquired from time to time by the Pledgor, directly or indirectly, in any manner and issued by any Insurance Subsidiary (which additional surplus debentures shall constitute a part of, and each being a, "Pledged Surplus Debenture"), together with all cash, securities, interests, rights, debentures, notes, instruments and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any and all of such additional surplus debentures;

(e) all other property hereafter delivered to the Administrative Agent in substitution for or in addition to any of the foregoing, and all certificates and instruments representing or evidencing such other property, together with all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof; and

(f) all proceeds, rents, issues, profits and returns of and from all of the foregoing;

TO HAVE AND TO HOLD the Collateral, together with all rights, titles, interests, privileges and preferences appertaining or incidental thereto, unto the Administrative Agent, its successors and assigns, for the benefit of the Banks and the holders of the Senior Notes, forever; subject, however, to the terms, covenants and conditions hereafter set forth.

Notwithstanding any provision herein to the contrary, neither the Pledged Shares nor any of the other Collateral pledged hereunder shall include any stock or other Securities, to the extent the acquisition of such stock or other Securities is financed under the Credit Agreement or the Existing Conseco Credit Agreements permitted by Section 10.7 of the Indentures or such stock or other Securities are otherwise excepted or exempted from the provisions of Section 10.7 of the Indentures, all of which such stock or other Securities are expressly excluded from the Lien of the Administrative Agent created hereunder.

The Pledgor agrees to deliver to the Administrative Agent, promptly upon receipt and in the case of the Pledged Shares in due form for transfer (i.e., endorsed in blank accompanied by undated stock or bond powers executed in blank or registered on the books of the applicable Issuer) and, subject to the provisions of Section 6 hereof, any Collateral which may at any time or from time to time be in or come into possession or control of the Pledgor; and prior to the delivery thereof to the Administrative Agent, such Collateral shall be held by the Pledgor separate and apart from its other property and in express trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes.

SECTION 3 Representations, Warranties and Covenants.

(a) The Pledgor represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that:

(i) the authorized and outstanding capital stock of, and the information as to, each Issuer set forth in Schedule 4 is true and accurate in all respects,

(ii) except for Liens, claims and rights of third parties arising solely through acts of the Administrative Agent, the Administrative Agent has and will continue to have at all times as security for the Secured Obligations, for the benefit of the Banks and the holders of the Senior Notes, a valid, first priority perfected Lien on the Collateral and the proceeds thereof free of all Liens (except for the Lien granted hereunder), claims and rights of third parties whatsoever;

(iii) all of the Pledged Shares and other Securities representing shares of stock pledged under this Agreement are evidenced by certificates, and the Pledgor has delivered to the Administrative Agent for the benefit of the Banks and the holders of the Senior Notes for pledge under this Agreement on the date hereof all of the certificates representing all such Pledged Shares and other Securities;

(iv) the Pledged Shares represent and will continue to represent all of the issued and outstanding capital stock and other Securities of each of the Wholly-Owned Subsidiaries and all of the issued and outstanding capital stock of BLHC owned by the Pledgor (other than the capital stock of BLHC pledged under the Borrower Non-Shared Pledge Agreement);

(v) the Pledged Shares of BLHC represent and will continue to represent all of the shares of BLHC owned by the Pledgor, the acquisition of which has been financed neither under the Credit Agreement nor the Existing Conseco Credit Agreements; and

(vi) the Pledgor will, at all times, keep pledged to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, pursuant hereto all of the capital stock, surplus debentures and other Securities of (A) each of the Wholly-Owned Subsidiaries, and (B) BLHC (which capital stock, surplus debentures and other Securities (other than the capital stock of BLHC pledged under the Borrower Non- Shared Pledge Agreement) are owned by the Pledgor). The Pledgor agrees to endorse and deliver to the Administrative Agent for pledge hereunder, promptly upon its obtaining any thereof, any additional Collateral and to hold such Collateral, pending such delivery, in trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, separate and distinct from any other property of the Pledgor. As of the date of any such delivery of additional Securities, surplus debentures, certificates or instruments to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, the Pledgor represents and warrants that (1) it will own such Securities, surplus debentures, certificates and instruments free and clear of any rights of any other Person (other than the rights created in the Administrative Agent hereunder), (2) it will have good and marketable title to said Securities, surplus debentures, certificates and instruments and have the right to pledge such Securities, surplus debentures, certificates and instruments to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, pursuant to this Agreement, (3) it will have pledged to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, as at such date, all of the capital stock, surplus debentures and other Securities of (A) each of the Wholly-Owned Subsidiaries and (B) BLHC (which capital stock, surplus debentures and other Securities are owned by the Pledgor, other than shares of BLHC which pursuant to Sections 10.7(iv) and/or 10.7(vii) of the Indentures have been pledged to secure the financing of the acquisition of such shares), and (4) the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, has a valid, first priority perfected Lien on said Securities, certificates or instruments and the proceeds thereof free of all Liens, claims and rights of third parties whatsoever. All documentary, stamp and other taxes and fees owing in connection with the issuance, transfer and/or pledge of the Pledged Shares, the Pledged Surplus Debentures and other Securities, certificates or instruments pledged hereunder have been paid and will hereafter be paid by the Pledgor as such become due and payable.

(b) The Pledgor further represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that it is the lawful owner of the Collateral, free of all Liens, other than the Lien granted hereunder, with full right to deliver, pledge, assign and transfer such Collateral to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, as Collateral hereunder. The pledge of the Collateral effected by this Agreement is effective to vest in the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, the rights of the Administrative Agent in the Collateral set forth herein.

(c) The Pledgor further represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that the Pledged Surplus Debentures constitute and will continue to constitute all of the surplus debentures issued by JNL-TX and/or any other Insurance Subsidiary (other than those existing on the date hereof and listed on Schedule 5).

(d) The Pledgor additionally represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that (i) each of the Pledgor and its Subsidiaries is a corporation or partnership duly organized or formed, validly existing and in good standing under the laws of its state of incorporation or formation, (ii) the execution and delivery of this Agreement and the performance by the Pledgor of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action (including, without limitation, shareholder approval if required), (iii) each of the Pledgor and its Subsidiaries has received all material governmental consents and approvals (if any shall be required) necessary for such execution, delivery and performance (except governmental consents required by any Applicable Insurance Code to foreclose on the Pledged Shares or Pledged Surplus Debentures), and such execution, delivery and performance do not and will not contravene or conflict with, result in any breach of, or constitute a default under, any material agreement or instrument binding on it or result in the creation or imposition of or the obligation to create or impose any Lien (except for the Lien permitted hereunder) and (iv) this Agreement is the legal, valid and binding obligation of the Pledgor, enforceable against the Pledgor in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity (including, without limitation, good faith, materiality and reasonableness) or at law).

(e) The Pledgor additionally covenants and agrees with the Administrative Agent that, until the expiration or termination of the Commitments and thereafter so long as any of the Liabilities remain outstanding, the Pledgor will, unless the Administrative Agent and the Required Banks, for the benefit of the Banks and the holders of the Senior Notes, shall otherwise consent in writing:

(i) at the Pledgor's sole expense, promptly deliver to the Administrative Agent, from time to time upon request of the Administrative Agent or the Required Banks, such stock powers and other documents (including UCC financing statements), satisfactory in form and substance to the Administrative Agent, with respect to the Collateral as the Administrative Agent or the Required Banks may reasonably request, to perfect, preserve and protect the Lien created hereby, and to enable the Administrative Agent to enforce its rights and remedies hereunder;

(ii) not permit any of the Collateral to be evidenced by uncertificated Securities; provided, however, that should for whatsoever reason any of the Collateral become evidenced by uncertificated Securities, the Pledgor shall automatically, without request by the Administrative Agent, forthwith (A) notify the Administrative Agent thereof, (B) cause the books and records of the Issuer of such Securities to contain a notation of the Lien of the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, thereon, and (C) take such other action as the Administrative Agent shall reasonably request so that the Administrative Agent shall have at all times as security for the Secured Obligations, for the benefit of the Banks and the holders of the Senior Notes, a valid, first priority perfected Lien on the Collateral and the proceeds thereof free of all Liens (except for the Lien granted hereunder), claims and rights of third parties whatsoever; and

(iii) except as otherwise may be permitted by the Credit Agreement and the Indentures, (A) not sell, assign, exchange, pledge or otherwise dispose of or transfer any of its rights to any of the Collateral, (B) not create or suffer to exist any Lien on or with respect to any of the Collateral except for the Lien created hereby,

(C) not make or consent to any amendment or other modification or waiver with respect to any of the Collateral, or enter into any agreement or permit to exist any restriction with respect to any of the Collateral other than pursuant hereto, and (D) not take or fail to take any action which would in any manner impair the enforceability of the Administrative Agent's Lien, for the benefit of the Banks and the holders of the Senior Notes, on any of the Collateral.

(f) Notwithstanding anything contained in this Section 3 to the contrary, the Borrower agrees and acknowledges that it shall fully comply with its duties and obligations under the terms of the Indentures, and nothing contained in the foregoing shall be deemed to be a waiver or amendment of any provision contained therein.

SECTION 4 Care of Collateral. The Administrative Agent shall exercise reasonable care in the custody and preservation of the Collateral. In addition, the Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if it takes such action for that purpose as the Pledgor requests in writing, but failure of the Administrative Agent to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Administrative Agent to preserve or protect any rights with respect to the Collateral against prior or other parties, or to do any act with respect to preservation of the Collateral not so requested by the Pledgor, shall be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral.

SECTION 5 Certain Rights Regarding Collateral and Secured Obligations.

(a) Subject to Sections 5(c) and 6 hereof the Administrative Agent may, and upon the request of the Required Banks shall, from time to time, after the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, without notice to the Pledgor, (i) transfer all or any part of the Collateral into the name of the Administrative Agent or its nominee or sub-agent, with or without disclosing that such Collateral is subject to the Lien hereunder, (ii) notify any Person obligated on any of the Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder, and (iii) enforce collection of any of the Collateral by suit or otherwise.

(b) If at any time any Secured Obligee takes any or all of the Permitted Actions (as hereinafter defined) whether such actions are taken before or after any of the Secured Obligations shall be due and payable and without notice to the Pledgor, such actions shall not affect the enforceability of this Agreement. A Secured Obligee shall have taken a "Permitted Action" if it shall (to the extent permitted by the Credit Agreement and the other Loan Documents):

(i) retain or obtain a Lien upon any property to secure payment and performance of any of the Secured Obligations of such Secured Obligee or any obligation hereunder, (ii) retain, obtain or release the primary or secondary obligation of any Person, in addition to the Pledgor, with respect to one or more of the Secured Obligations of such Secured Obligee, (iii) create, extend or renew for any periods (whether or not longer than the original period) or alter or exchange any of the Secured Obligations of such Secured Obligee, or release or compromise any obligation of any nature of any Person with respect to any of the Secured Obligations of such Secured Obligee, (iv) release or fail to perfect its Lien upon, or impair, surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Secured Obligations of such Secured Obligee or any obligation hereunder, or create, extend or renew for one or more periods (whether or not longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any Person with respect to any such property or (v) resort to the Collateral for payment of any of the Secured Obligations whether or not the Administrative Agent (A) shall have resorted to any other property securing any of the Secured Obligations or any obligation hereunder or (B) shall have proceeded against any Person primarily or secondarily obligated with respect to any of the Secured Obligations (all of the actions referred to in preceding clauses (A) and (B) being hereby expressly waived by the Pledgor).

(c) The Administrative Agent shall have no right to vote the Pledged Shares or other Collateral or give consents, waivers or ratifications in respect thereof prior to the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default. After the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Pledgor shall have the right to vote any and all of the Pledged Shares and other Collateral and give consents, waivers and ratifications in respect thereof unless and until it receives notice from the Administrative Agent that such right has been terminated. The Pledgor agrees to deliver (properly endorsed when required) to the Administrative Agent, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, promptly upon request of the Administrative Agent, such proxies and other documents as may be necessary for the Administrative Agent to exercise the voting power with respect to the Pledged Shares and other Collateral then or previously owned by the Pledgor.

SECTION 6 Dividends, etc.

(a) So long as no Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing:

(i) Subject to the provisions of the Credit Agreement and notwithstanding the provisions of Section 2(a) of this Agreement, the Pledgor shall be entitled to receive any and all cash dividends and payments on the Collateral which it is otherwise entitled to receive, but any and all Securities and/or liquidating dividends, payments, distributions in property, returns of capital made on or in respect of the Collateral, whether resulting from a subdivision, combination, reclassification or conversion of the outstanding capital stock or other Securities of any or all of the Issuers or received in exchange for the Collateral or any part thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which any or all of the Issuers may be a party or otherwise, and any and all cash and other property received in exchange for any Collateral shall be and become part of the Collateral pledged hereunder and, if received by the Pledgor, shall forthwith be delivered to the Administrative Agent or its designated nominee (accompanied, if appropriate, by proper instruments of assignment and/or stock powers executed by the Pledgor in accordance with the Administrative Agent's instructions) to be held subject to the terms of this Agreement, and, until delivery to the Administrative Agent, such Collateral shall be held by the Pledgor separate and apart from its other property in trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes.

(ii) If the Collateral or any part thereof shall have been registered in the name of the Administrative Agent or its sub-agent, the Administrative Agent shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such dividend orders and other instruments as the Pledgor may request for the purpose of enabling the Pledgor to receive the dividends or other payments which it is authorized to receive and retain pursuant to Section 6(a)(i) above.

(b) Upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, all rights of the Pledgor pursuant to Section 6(a)(i) hereof shall cease and the Administrative Agent shall have the sole and exclusive right and authority to receive and retain the dividends and other payments in respect of the Collateral which the Pledgor would otherwise be authorized to retain. All such dividends and payments, and all other distributions made on or in respect of the Collateral which may at any time and from time to time be held by the Pledgor, shall, until delivery to the Administrative Agent, be held by the Pledgor separate and apart from its other property in trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes. Any and all money and other property paid over to or received by the Administrative Agent pursuant to the provisions of this paragraph (b) shall be retained by the Administrative Agent as additional Collateral hereunder and be applied in accordance with the provisions hereof.

SECTION 7 Default.

(a) Upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Administrative Agent may exercise from time to time any rights and remedies available to it under the Credit Agreement, the Uniform Commercial Code or the other Loan Documents or otherwise available to it, including, without limitation, sale, assignment, or other disposal of the Collateral in exchange for cash or credit. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed to the Pledgor at least ten (10) days before such disposition as provided in Section 15.3 of the Credit Agreement. Any proceeds of any disposition of Collateral shall be applied as provided in Section 8 hereof. No rights and remedies of the Administrative Agent expressed hereunder are intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative and shall be in addition to all other rights and remedies herein conferred, or conferred upon the Administrative Agent under any other agreement or instrument relating to any of the Secured Obligations or security therefor or now or hereafter existing at law or in equity or by statute. No delay on the part of the Administrative Agent in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Administrative Agent of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

(b)(i) The Pledgor agrees that in any sale of any of the Collateral, the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Administrative Agent is necessary in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official, and the Pledgor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Administrative Agent or any Secured Obligee be liable or accountable to the Pledgor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

(ii) Without limiting the rights of the Administrative Agent under any other provision of this Agreement, and in addition thereto, the Pledgor agrees that, to the maximum extent permitted by law, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, upon written request from the Administrative Agent, the Pledgor shall or shall cause any or all of the Issuers, as the case may be, to prepare, file and cause to become effective promptly, registration statements complying with the Securities Act of 1933, as amended, for the public sale of such of the Collateral as the Administrative Agent may elect, and to take comparable action to permit such sales under the securities laws of such jurisdictions as the Administrative Agent may designate. The Pledgor further agrees to cause any or all of the Issuers, as the case may be, to enter into and perform its obligations under one or more underwriting agreements in connection therewith, containing customary representations, warranties, covenants and indemnities and contribution provisions if requested by the Administrative Agent. If such registration statements are filed, the Pledgor agrees to cause any or all of the Issuers, (A) to keep any such registration statement and related prospectus current and in compliance with applicable federal and state securities laws so long as required to satisfy applicable prospectus delivery requirements and (B) at the request of the Administrative Agent at any time after the effective date of any such registration statement, to use reasonable efforts to file post-effective amendments to such registration statement so that the Administrative Agent's sales of Pledged Shares or other Collateral will be covered by a current prospectus and can be made in compliance with all applicable federal and state securities laws.

(iii) The Pledgor further agrees, after a Default pursuant to

Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, and upon written request from the Administrative Agent, to (A) deliver, and cause any or all of the Issuers to deliver, to the Administrative Agent such information as the Administrative Agent shall reasonably request for inclusion in any registration statement, prospectus or offering memorandum or in any preliminary prospectus or preliminary offering memorandum or any amendment or supplement to any thereof or in any other writing prepared in connection with the offer, sale or resale of all or any portion of the Pledged Shares or other Collateral, which information shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make such information not misleading, and (B) do or cause to be done all such other acts and things as may be necessary to make such offer, sale or resale of all or any portion of the Pledged Shares or other Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental agencies or instrumentalities, domestic or foreign, having jurisdiction over any such offer, sale or resale.

Without limiting the foregoing paragraph, if the Administrative Agent decides to exercise its right to sell all or any of the Pledged Shares or other Collateral, upon written request, the Pledgor shall furnish or cause to be furnished to the Administrative Agent all such information as the Administrative Agent may request in order to qualify such Pledged Shares or other Collateral as exempt securities, or the sale or resale of such Pledged Shares or other Collateral as exempt transactions, under federal and state securities laws. The Pledgor agrees to allow, and to cause any or all of the Issuers to allow, upon request by the Administrative Agent, the Administrative Agent and any underwriter access at reasonable times and places to the books, records and premises of any or all of the Issuers; the Pledgor further agrees to assist, and cause the Issuers to assist, the Administrative Agent, any underwriter, any agent of any thereof, and any counsel, accountant or other expert for any thereof, in inspection, evaluation, and any other "due diligence" action of or with respect to any such books, records and premises; and the Pledgor further agrees to cause any independent public accountant for any or all of the Issuers to furnish a letter to the Administrative Agent and the underwriters in customary form and covering matters of the type customarily covered by letters of accountants for issuers to underwriters.

(iv) The Pledgor, upon the occurrence and during the continuance of a Default under Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, further agrees that the Administrative Agent shall have the right, for and in the name, place and stead of the Pledgor to execute endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral, and may, without demand, presentment or notice of any kind appropriate and apply toward the payment of the Secured Obligations in order of application set forth in

Section 8 any balances, credits, deposits, accounts or monies of the Pledgor held by the Administrative Agent.

(v) Without limiting the foregoing paragraph, upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Administrative Agent may, to the fullest extent permitted by applicable law, without notice, advertisement, hearing or process of law of any kind, (A) sell any or all of the Collateral, free of all rights and claims of the Pledgor therein and thereto at any public or private sale or brokers' board, and (B) bid for and purchase any or all of the Collateral at any such public sale free from rights of redemption, stay or appraisal of the Pledgor.

(vi) The Pledgor further agrees to indemnify and hold harmless the Administrative Agent, the holders of the Senior Notes and the Banks and each of their respective officers, directors, employees, agents, successors and assigns, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, reasonable attorneys' fees actually incurred (in this paragraph collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise insofar as such loss, liability, claim, damage or expense was caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement, any preliminary prospectus or the prospectus, or was caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities were caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to the Administrative Agent furnished to the Pledgor in writing by the Administrative Agent expressly for use therein, such indemnification to remain operative regardless of any investigation made by or on behalf of the Administrative Agent or any successors thereof, or any Person in control of any thereof. In connection with a public sale or other distribution, the Pledgor will provide customary indemnification to any underwriters, their respective successors and assigns, their respective officers and directors and each Person who controls any such underwriter (within the meaning of the Securities Act of 1933, as amended). If and to the extent that the foregoing undertakings in this paragraph may be unenforceable for any reason, the Pledgor agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Pledgor under this Section 7(b)(vi) shall survive any termination of this Agreement.

(vii) The Pledgor and the Administrative Agent acknowledge that the commissioners or departments of insurance of various states under all applicable insurance laws, rules and regulations may have to consent to or approve any such sale, transfer or other disposition of the Collateral and the terms and conditions thereof. The Pledgor hereby waives and agrees not to assert against the Administrative Agent or any Secured Obligee any claim that any such sale, transfer or other disposition hereunder, or the terms or conditions thereof, were not commercially reasonable because of any provision of any such insurance law, rule or regulation or any matter related thereto.

SECTION 8 Application of Proceeds. All of the proceeds from the sale or disposition of any item of the Collateral pursuant to the terms of Section 7 hereof and/or, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the cash held as Collateral hereunder, shall be applied by the Administrative Agent pursuant to Section 6.2(b) of the Credit Agreement.

SECTION 9 Authority of the Administrative Agent. The Administrative Agent shall have, and be entitled to exercise, all such powers hereunder (to the extent permitted by the Credit Agreement) as are specifically delegated to the Administrative Agent by the terms hereof, together with such powers as are incidental thereto, for the benefit of the Banks and the holders of the Senior Notes. As to matters not expressly provided for by this Pledge Agreement (including, without limitation, enforcement or collection of this Pledge Agreement) the Administrative Agent shall not be required to exercise any discretion, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks (without instructions from the holders of the Senior Notes or any representative thereof) and such instructions shall be binding upon all Banks and all holders of the Senior Notes and their representatives. The Administrative Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the reasonable advice of such counsel concerning all matters pertaining to its duties hereunder. Neither the Administrative Agent, the holders of the Senior Notes, the Banks nor any director, officer or employee thereof shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith, except for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent shall not be responsible to any Bank or any holder of a Senior Note for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Pledge Agreement or any other Loan Document or other support or security (including the validity, priority or perfection of any Lien), or any other document furnished in connection with any of the foregoing; provided that notwithstanding the foregoing, the Administrative Agent shall comply with Section 4. The Pledgor agrees to reimburse the Administrative Agent, on demand, for all reasonable costs and expenses actually incurred by the Administrative Agent in connection with the administration and enforcement of this Agreement and for all costs and expenses of the enforcement of this Agreement (including, without limitation, reasonable costs and expenses actually incurred by any agent employed by the Administrative Agent) and agrees to indemnify (which indemnification shall survive any termination of this Agreement) and hold harmless the Administrative Agent, the holders of the Senior Notes and the Banks (and any such agent) from and against any and all liability incurred by the Administrative Agent, any holder of a Senior Note or any Bank or any such agent thereof hereunder or in connection herewith, unless such liability shall be due to gross negligence or willful misconduct on the part of the Administrative Agent, any holder of a Senior Note or any Bank or such agent, as the case may be.

SECTION 10 Termination. The Pledgor agrees that its pledge hereunder shall (notwithstanding, without limitation, that at any time or from time to time all Liabilities may have been paid in full) terminate only (a) when all Liabilities (except Liabilities which by the terms of the Credit Agreement survive the payment in full of the Loans and the termination of this Agreement) (including, without limitation, any extensions or renewals of any thereof) and all expenses (including, without limitation, reasonable attorneys' fees and legal expenses) paid or actually incurred by the Administrative Agent in endeavoring to enforce this Agreement, the Credit Agreement and the other Loan Documents to which the Administrative Agent is a party or of which it is a beneficiary shall have been finally paid in full and all other obligations of the Pledgor hereunder and thereunder have been fully performed, and all Commitments under the Credit Agreement have been terminated, or (b) pursuant to the express provisions of Section 6.4 of the Credit Agreement. The release of the Collateral pledged hereunder shall be subject to the provisions of Section 6.4 of the Credit Agreement; at which time the Administrative Agent shall reassign and redeliver (or cause to be reassigned and redelivered) to the Pledgor, or to such Person or Persons as the Pledgor shall designate, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Administrative Agent pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon, or representation or warranty by, the Administrative Agent or any Bank and at the sole cost and expense of the Pledgor.

SECTION 11 Miscellaneous.

- (a) All notices or other communications hereunder shall be given in the manner specified under Section 15.3 of the Credit Agreement, whether or not then in effect, and such notices shall be delivered to each Secured Obligee.
- (b) This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, except the Pledgor shall not be permitted to assign this Agreement nor any interest herein nor in the Collateral, nor any part thereof, nor otherwise pledge, encumber or grant any option with respect to the Collateral, nor any part thereof, except in accordance with the terms of the Credit Agreement.
- (c) SUBMISSION TO JURISDICTION; WAIVER OF VENUE. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT (I) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY ILLINOIS STATE OR FEDERAL COURT SITTING IN THE NORTHERN DISTRICT OF ILLINOIS OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, AND EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ILLINOIS STATE OR FEDERAL COURT, AND (II) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST THE OTHER PARTY HERETO OR THE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY OF ANY THEREOF, ARISING OUT OF OR RELATING TO THIS AGREEMENT, IN ANY COURT OTHER THAN AS HEREINABOVE SPECIFIED IN THIS SECTION 11(c). EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY ACTION OR PROCEEDING (WHETHER BROUGHT BY THE PLEDGOR, ANY OF ITS SUBSIDIARIES, THE ADMINISTRATIVE AGENT, ANY BANK OR OTHERWISE) IN ANY COURT HEREINABOVE SPECIFIED IN THIS SECTION 11(c) AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.
- (d) At the option of the Administrative Agent, this Agreement, or a carbon, photographic or other reproduction of this Agreement or of any Uniform Commercial Code financing statement covering the Collateral or any portion thereof, shall be sufficient as a Uniform Commercial Code financing statement and may be filed as such.

(e) Subject to Section 15.1 of the Credit Agreement, the provisions of this Agreement or the Credit Agreement (to the extent applicable hereto) may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Pledgor and by the Administrative Agent (at the request of the Required Banks), provided, however, that no such amendment, modification or waiver which would adversely affect the holders of the Senior Notes, shall in any event be effective unless the same shall also be consented to by the holders of the Senior Notes (but only to the extent, if any, required under the Indentures), or the Banks are similarly adversely affected. Any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(f) The section headings in this Agreement are inserted for convenience of reference and shall not be considered a part of this Agreement or used in its interpretation.

(g) The Pledgor hereby expressly waives: (i) notice of the acceptance by the Administrative Agent of this Agreement, (ii) notice of the existence or creation or non-payment of all or any of the Secured Obligations, (iii) presentment, demand, notice of dishonor, protest, and all other notices whatsoever (except as otherwise required herein), and (iv) all diligence in collection or protection of or realization upon the Secured Obligations, or any security for or guaranty of any of the foregoing.

(h) Any Secured Obligee may, from time to time, without notice to the Pledgor, assign or transfer any or all of the Secured Obligations of such Secured Obligee or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Secured Obligations shall be and remain Secured Obligations for the purposes of this Agreement, and each and every immediate and successive assignee or transferee of any of the Secured Obligations of such Secured Obligee or of any interest therein shall, to the extent of the interest of such assignee or transferee in such Secured Obligations, be entitled to the benefits of this Agreement to the same extent as if such assignee or transferee were the Administrative Agent; provided, however, that, unless the Administrative Agent shall otherwise consent in writing, the Administrative Agent shall have an unimpaired right, prior and superior to that of any such assignee or transferee, to enforce this Agreement.

(i) The Pledgor agrees that, if at any time all or any part of any payment theretofore applied by the Administrative Agent, any Bank or any holder of Senior Notes to any of the Secured Obligations is or must be rescinded or returned by the Administrative Agent, any Bank or any holder of Senior Notes for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of any of the Issuers), such Secured Obligations shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Administrative Agent, and the pledge by the Pledgor hereunder shall continue to be effective or be reinstated, as the case may be, as to such Secured Obligations, all as though such application by the Administrative Agent, such Bank or such holder had not been made.

(j) No action of the Administrative Agent permitted hereunder shall in any way affect or impair the rights of the Administrative Agent and the obligations of the Pledgor under this Agreement. The Pledgor hereby acknowledges that there are no conditions to the effectiveness of this Agreement.

(k) All obligations of the Pledgor and rights of the Administrative Agent or obligation expressed in this Agreement shall be in addition to and not in limitation of those provided in applicable law or in any other written instrument or agreement relating to any of the Secured Obligations.

(l) GOVERNING LAW. THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(m) This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, but all such counterparts shall constitute but one and the same agreement. The Pledgor hereby acknowledges receipt of a true, correct and complete counterpart of this Agreement.

(n) The Administrative Agent acts herein as agent for itself, the Banks, the holders of the Senior Notes and any and all future holders of the Secured Obligations.

(o) The Administrative Agent hereby acknowledges that its exercise of any rights or remedies hereunder shall be subject to any Applicable Insurance Code and agrees to first comply with any Applicable Insurance Code in exercising its rights hereunder.

(p) WAIVER OF JURY TRIAL. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY; THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CONSECO, INC.

By: /s/ *LAWRENCE W. INLOW*

Name: *Lawrence W. Inlow*
Its: *Executive Vice President*

**BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as Administrative Agent**

By: /s/ *DAVID M. TERRANCE*

Name: *David M. Terrance*
Its: *Vice President*

SCHEDULE 1

WHOLLY OWNED SUBSIDIARIES

Beneficial Standard Life Insurance Company
Conseco Capital Management, Inc.
Great American Reserve Insurance Company
Conseco Partnership Management, Inc.
Lincoln American Life Insurance Company
CIHC, Incorporated
Marketing Distribution Systems Consulting Group, Inc. Conseco Risk Management, Inc.
Conseco Mortgage Capital, Inc.
Conseco Private Capital Group, Inc.
CNC Real Estate, Inc.
Conseco Entertainment, Inc.
GARCO Equity Sales, Inc.

SCHEDULE 2

LISTING OF STOCK PLEDGED

ENTITY	STATE OF INCORPORATION	COMMON SHARES PLEDGED	OWNERSHIP / PERCENTAGE
Conseco Partnership Management, Inc.	IN	100	Conseco, Inc. 100%
Lincoln American Life Insurance Company	TN	2,000,000	Conseco, Inc. 100%
CIHC, Incorporated	DE	1,000	Conseco, Inc. 100%
Jefferson National Life Insurance Company of Texas	TX	700,000	CIHC, Incorporated 100%
Conseco Capital Management, Inc.	DE100		Conseco, Inc. 100%
Conseco Risk Management, Inc.	IN	100	Conseco, Inc. 100%
Conseco Mortgage Capital, Inc.	DE	100	Conseco, Inc. 100%
Conseco Private Capital Group, Inc.	IN	100	Conseco, Inc. 100%
Conseco Entertainment, Inc.	IN	100	Conseco, Inc. 100%
CNC Real Estate, Inc.	DE	100	Conseco, Inc. 100%
GARCO Equity Sales, Inc.	TX	10,000	Conseco, Inc. 100%
Marketing Distribution Systems Consulting Group, Inc.	DE	3,000	Conseco, Inc. 100%
Bankers Life Holding Corporation	DE	2,150,009	Conseco, Inc. 4.1%
Conseco L.L.C.	DE	Uncertificated	Conseco, Inc. 10%

SCHEDULE 3

LISTING OF SURPLUS DEBENTURES PLEDGED

Surplus Debenture, No. 003, of Jefferson National Life Insurance Company of Texas in the aggregate principal amount of \$283,000,000.00.

SCHEDULE 4

LISTING OF STOCK

ENTITY	AUTHORIZED COMMON SHARES	ISSUED AND OUTSTANDING COMMON SHARES
Conseco Partnership Management, Inc.	10,000	100
Lincoln American Life Insurance Company	5,000,000	2,000,000
CIHC, Incorporated	1,000	1,000
Jefferson National Life Insurance Company of Texas	1,400,000	700,000
Conseco Capital Management, Inc.	1,000	100
Conseco Risk Management, Inc.	10,000	100
Conseco Mortgage Capital, Inc.	100	100
Conseco Private Capital Group, Inc.	10,000	100
Conseco Entertainment, Inc.	10,000	100
CNC Real Estate, Inc.	1,000	100
GARCO Equity Sales, Inc.	1,000,000	10,000
Marketing Distribution Systems Consulting Group, Inc.	10,000	3,000
Bankers Life Holding Corporation	500,000,000	51,975,316

SCHEDULE 5

LISTING OF OUTSTANDING SURPLUS DEBENTURES AND SURPLUS NOTES

None

NEW CIHC PLEDGE AGREEMENT

dated as of August 31, 1995

between

CIHC, INCORPORATED

and

**BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,**

as Administrative Agent

NEW CIHC PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Agreement"), dated as of August 31, 1995, is made between CIHC, INCORPORATED, a Delaware corporation (herein, called the "Pledgor"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Administrative Agent for the Banks (each as hereinafter defined) and the holders of the Senior Notes (as hereinafter defined) (the "Administrative Agent"). This is the New CIHC Pledge Agreement referred to in that certain Credit Agreement (as from time to time, in whole or in part, amended, modified, supplemented, restated, refinanced, refunded or renewed, the "Credit Agreement"), dated as of August 31, 1995, among Conseco, Inc (the "Borrower"), the financial institutions who are or from time to time become party thereto (the "Banks"), The Chase Manhattan Bank, N.A. and First Union National Bank of North Carolina, as Documentation Agents for the Banks, The Bank of New York, The Bank of Tokyo Trust Company, Credit Lyonnais Cayman Island Branch, Deutsche Bank AG, New York Branch, Dresdner Bank, ING Capital Corporation, The Long-Term Credit Bank of Japan, Ltd., Chicago Branch, NationsBank of Georgia, N.A., Shawmut Bank Connecticut, N.A. and Societe Generale, as Managing Agents for the Banks, and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks.

BACKGROUND:

1. Pursuant to the terms of the Credit Agreement, the Banks have agreed to make certain Loans (as hereinafter defined) to the Borrower which shall be used by the Borrower as provided in the Credit Agreement.
2. As security for the Loans and as a condition precedent to the making thereof, the Banks have required that the Pledgor execute and deliver this Agreement.
3. Pursuant to the Section 10.7 of (a) the Indenture dated as of February 18, 1993 between the Borrower and Shawmut Bank Connecticut, National Association, as trustee (as the same may be amended or modified, the "Conseco Indenture"), and (b) the Indenture dated as of December 15, 1994 between CCP Insurance, Inc. ("CCPI") and LTCB Trust Company, as trustee (as the same may be amended or modified, the "CCPI Indenture", and together with the Conseco Indenture, collectively called, the "Indentures"), subject to certain exceptions, neither the Borrower nor any Significant Subsidiary (as defined in the Indentures) may incur, issue, assume or guarantee any indebtedness secured by a lien on any property or assets of the Borrower or any Significant Subsidiary, or any shares of capital stock of any Significant Subsidiary, without providing that the Senior Notes (the "Senior Notes") issued pursuant to the Indentures shall be secured equally and ratably with (or prior to) such indebtedness.

NOW, THEREFORE, in consideration of any Loan or other financial accommodation heretofore or hereafter at any time made or granted by the Banks to the Borrower and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor agrees with the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that:

SECTION 1 Definitions. Capitalized terms used herein, unless otherwise specified, shall have the meanings assigned thereto in the Credit Agreement; provided that such definitions shall survive any termination of the Credit Agreement. In addition, when used herein the following terms shall have the following meanings:

"BLHC" shall mean Bankers Life Holding Corporation, a Delaware corporation.

"CCPI" - see Preamble.

"CCPI Indenture" - see Preamble.

"CLLC" shall mean Conseco L.L.C., a Delaware limited liability company.

"Collateral" - see Section 2.

"Conseco Indenture" - see Preamble.

"Indemnified Liabilities" - see Section 7(b)(vi).

"Indentures" - see Preamble.

"Issuer" shall mean each Wholly-Owned Subsidiary, BLHC, CLLC and any other Person which is the issuer of any capital stock or Securities or other Collateral pledged hereunder.

"Permitted Actions" - see Section 5(b).

"Pledged Shares" - see Section 2.

"Secured Obligations" shall mean (a) the CCPI Senior Note Obligations (as defined in the Credit Agreement), (b) the Conseco Senior Note Obligations (as defined in the Credit Agreement), and (c) the Liabilities.

"Secured Obligee" shall mean, collectively, (a) with respect to the CCPI Senior Note Obligations, the holders of the Senior Notes under the CCPI Indenture (or their representative), (b) with respect to the Conseco Senior Note Obligations, the holders of the Senior Notes under the Conseco Indenture (or their representative), and (c) with respect to the Liabilities, the Banks or Administrative Agent.

"Securities" shall mean securities (whether debt or equity) issued by each Issuer (to the extent permitted by the Applicable Insurance Code and other than obligations of each Issuer pursuant to the Servicing Agreements and insurance policies or other insurance products which may constitute securities) including, without limitation, the common and preferred stock, partnership units and participations, notes, bonds, debentures, trust receipts and other obligations or instruments, including debt instruments and tax-exempt securities of each Issuer (including, without limitation, warrants, rights tied to earnings, put and call options and other options relating thereto or any combination thereof), or any instruments convertible into any of the foregoing.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect from time to time in the State of Illinois.

"Wholly-Owned Subsidiaries" shall mean, collectively, each Person listed on Schedule 1 hereto and any other Person in which (other than directors' qualifying shares required by law) 100% of the capital stock or other ownership interests is owned, beneficially and of record, by such Person, or by one or more of other Wholly-Owned Subsidiaries, or both; provided that such Person is a Significant Subsidiary of the Borrower.

SECTION 2 Pledge. To secure the prompt and complete payment and performance of the Secured Obligations, the Pledgor hereby grants, pledges, hypothecates, assigns, transfers, sets over and delivers unto the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, a Lien on the following (herein collectively called the "Collateral"):

- (a) the shares of capital stock of each Issuer and all other Securities, if any, described in Schedule 2 hereto, whether in certificated form or otherwise, including the certificates representing or evidencing such shares of capital stock or other Securities (herein called the "Pledged Shares"), together with all cash, securities, interests, dividends, rights, notes, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares;
- (b) all additional shares of capital stock of each Issuer and other Securities from time to time acquired by the Pledgor in any manner including, without limitation, any uncertificated Securities (which additional shares of capital stock and Securities shall constitute a part of, and be, "Pledged Shares"), and, in the case of certificated Securities, the certificates representing or evidencing such additional shares, together with all cash, securities, interest, dividends, rights, notes, instruments and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional shares;
- (c) all other property hereafter delivered to the Administrative Agent in substitution for or in addition to any of the foregoing, and all certificates and instruments representing or evidencing such other property, together with all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof; and
- (d) all proceeds, rents, issues, profits and returns of and from all of the foregoing;

TO HAVE AND TO HOLD the Collateral, together with all rights, titles, interests, privileges and preferences appertaining or incidental thereto, unto the Administrative Agent, its successors and assigns, for the benefit of the Banks and the holders of the Senior Notes, forever; subject, however, to the terms, covenants and conditions hereafter set forth.

The Pledgor agrees to deliver to the Administrative Agent, promptly upon receipt and in the case of the Pledged Shares in due form for transfer (i.e., endorsed in blank accompanied by undated stock or bond powers executed in blank or registered on the books of the applicable Issuer) and, subject to the provisions of Section 6 hereof, any Collateral which may at any time or from time to time be in or come into possession or control of the Pledgor; and prior to the delivery thereof to the Administrative Agent, such Collateral shall be held by the Pledgor separate and apart from its other property and in express trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes.

SECTION 3 Representations, Warranties and Covenants.

(a) The Pledgor represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that:

- (i) the authorized and outstanding capital stock of, and the information as to, each Issuer set forth in Schedule 3 is true and accurate in all respects,
- (ii) except for Liens, claims and rights of third parties arising solely through acts of the Administrative Agent, the Administrative Agent has and will continue to have at all times as security for the Secured Obligations, for the benefit of the Banks and the holders of the Senior Notes, a valid, first priority perfected Lien on the Collateral and the proceeds thereof free of all Liens (except for the Lien granted hereunder), claims and rights of third parties whatsoever;
- (iii) all of the Pledged Shares and other Securities representing shares of stock pledged under this Agreement (other than with respect to CLLC) are evidenced by certificates, and the Pledgor has delivered to the Administrative Agent for the benefit of the Banks and the holders of the Senior Notes for pledge under this Agreement on the date hereof all of the certificates representing all such Pledged Shares and other Securities;
- (iv) the Pledged Shares represent and will continue to represent all of the issued and outstanding capital stock and other Securities of each of the Wholly-Owned Subsidiaries and all of the issued and outstanding capital stock of BLHC owned by the Pledgor; and
- (v) the Pledgor will, at all times, keep pledged to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, pursuant hereto all of the capital stock and other Securities of (A) each of the Wholly-Owned Subsidiaries, and (B) BLHC (which capital stock, surplus debentures and other Securities (other than the capital stock of BLHC pledged under the Borrower Non-Shared Pledge Agreement) are owned by the Pledgor). The Pledgor agrees to endorse and deliver to the Administrative Agent for pledge hereunder, promptly upon its obtaining any thereof, any additional Collateral and to hold such Collateral, pending such delivery, in trust for the

Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, separate and distinct from any other property of the Pledgor. As of the date of any such delivery of additional Securities, certificates or instruments to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, the Pledgor represents and warrants that (1) it will own such Securities, certificates and instruments free and clear of any rights of any other Person (other than the rights created in the Administrative Agent hereunder), (2) it will have good and marketable title to said Securities, certificates and instruments and have the right to pledge such Securities, certificates and instruments to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, pursuant to this Agreement, (3) it will have pledged to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, as at such date, all of the capital stock and other Securities of (A) each of the Wholly-Owned Subsidiaries and (B) BLHC (which capital stock, surplus debentures and other Securities are owned by the Pledgor, other than shares of BLHC which pursuant to Sections 10.7(iv) and/or 10.7(vii) of the Indentures have been pledged to secure the financing of the acquisition of such shares), and (4) the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, has a valid, first priority perfected Lien on said Securities, certificates and instruments and the proceeds thereof free of all Liens, claims and rights of third parties whatsoever. All documentary, stamp and other taxes and fees owing in connection with the issuance, transfer and/or pledge of the Pledged Shares and any other Securities, certificates or instruments pledged hereunder have been paid and will hereafter be paid by the Pledgor as such become due and payable.

(b) The Pledgor further represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that it is the lawful owner of the Collateral, free of all Liens, other than the Lien granted hereunder, with full right to deliver, pledge, assign and transfer such Collateral to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, as Collateral hereunder. The pledge of the Collateral effected by this Agreement is effective to vest in the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, the rights of the Administrative Agent in the Collateral set forth herein.

(d) The Pledgor additionally represents and warrants to the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, that (i) each of the Pledgor

and its Subsidiaries is a corporation or partnership duly organized or formed, validly existing and in good standing under the laws of its state of incorporation or formation, (ii) the execution and delivery of this Agreement and the performance by the Pledgor of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action (including, without limitation, shareholder approval if required), (iii) each of the Pledgor and its Subsidiaries has received all material governmental consents and approvals (if any shall be required) necessary for such execution, delivery and performance (except governmental consents required by any Applicable Insurance Code to foreclose on the Pledged Shares or Pledged Surplus Debentures), and such execution, delivery and performance do not and will not contravene or conflict with, result in any breach of, or constitute a default under, any material agreement or instrument binding on it or result in the creation or imposition of or the obligation to create or impose any Lien (except for the Lien permitted hereunder) and (iv) this Agreement is the legal, valid and binding obligation of the Pledgor, enforceable against the Pledgor in accordance with its terms, except to the extent such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity (including, without limitation, good faith, materiality and reasonableness) or at law).

(e) The Pledgor additionally covenants and agrees with the Administrative Agent that, until the expiration or termination of the Commitments and thereafter so long as any of the Liabilities remain outstanding, the Pledgor will, unless the Administrative Agent and the Required Banks, for the benefit of the Banks and the holders of the Senior Notes, shall otherwise consent in writing:

(i) at the Pledgor's sole expense, promptly deliver to the Administrative Agent, from time to time upon request of the Administrative Agent or the Required Banks, such stock powers and other documents (including UCC financing statements), satisfactory in form and substance to the Administrative Agent, with respect to the Collateral as the Administrative Agent or the Required Banks may reasonably request, to perfect, preserve and protect the Lien created hereby, and to enable the Administrative Agent to enforce its rights and remedies hereunder;

(ii) not permit any of the Collateral (other than the membership interests in CLLC) to be evidenced by uncertificated Securities; provided, however, that should for whatsoever reason any of the Collateral become evidenced by uncertificated Securities, the Pledgor shall automatically, without request by the Administrative Agent, forthwith (A) notify the Administrative Agent thereof, (B) cause the books and records of the Issuer of such Securities to contain a notation of the Lien of the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes, thereon, and (C) take such other action as the Administrative Agent shall reasonably request so that the Administrative Agent shall have at all times as security for the Secured Obligations, for the benefit of the Banks and the holders of the Senior Notes, a valid, first priority perfected Lien on the Collateral and the proceeds thereof free of all Liens (except for the Lien granted hereunder), claims and rights of third parties whatsoever; and

(iii) except as otherwise may be permitted by the Credit Agreement and the Indentures, (A) not sell, assign, exchange, pledge or otherwise dispose of or transfer any of its rights to any of the Collateral, (B) not create or suffer to exist any Lien on or with respect to any of the Collateral except for the Lien created hereby,

(C) not make or consent to any amendment or other modification or waiver with respect to any of the Collateral, or enter into any agreement or permit to exist any restriction with respect to any of the Collateral other than pursuant hereto, and (D) not take or fail to take any action which would in any manner impair the enforceability of the Administrative Agent's Lien, for the benefit of the Banks and the holders of the Senior Notes, on any of the Collateral.

(f) Notwithstanding anything contained in this Section 3 to the contrary, the Borrower agrees and acknowledges that it shall fully comply with its duties and obligations under the terms of the Indentures, and nothing contained in the foregoing shall be deemed to be a waiver or amendment of any provision contained therein.

SECTION 4 Care of Collateral. The Administrative Agent shall exercise reasonable care in the custody and preservation of the Collateral. In addition, the Administrative Agent shall be deemed to have exercised reasonable care in the

custody and preservation of the Collateral if it takes such action for that purpose as the Pledgor requests in writing, but failure of the Administrative Agent to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Administrative Agent to preserve or protect any rights with respect to the Collateral against prior or other parties, or to do any act with respect to preservation of the Collateral not so requested by the Pledgor, shall be deemed a failure to exercise reasonable care in the custody or preservation of the Collateral.

SECTION 5 Certain Rights Regarding Collateral and Secured Obligations.

(a) Subject to Sections 5(c) and 6 hereof the Administrative Agent may, and upon the request of the Required Banks shall, from time to time, after the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, without notice to the Pledgor, (i) transfer all or any part of the Collateral into the name of the Administrative Agent or its nominee or sub-agent, with or without disclosing that such Collateral is subject to the Lien hereunder, (ii) notify any Person obligated on any of the Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder, and (iii) enforce collection of any of the Collateral by suit or otherwise.

(b) If at any time any Secured Obligee takes any or all of the Permitted Actions (as hereinafter defined) whether such actions are taken before or after any of the Secured Obligations shall be due and payable and without notice to the Pledgor, such actions shall not affect the enforceability of this Agreement. A Secured Obligee shall have taken a "Permitted Action" if it shall (to the extent permitted by the Credit Agreement and the other Loan Documents):

(i) retain or obtain a Lien upon any property to secure payment and performance of any of the Secured Obligations of such Secured Obligee or any obligation hereunder, (ii) retain, obtain or release the primary or secondary obligation of any Person, in addition to the Pledgor, with respect to one or more of the Secured Obligations of such Secured Obligee, (iii) create, extend or renew for any periods (whether or not longer than the original period) or alter or exchange any of the Secured Obligations of such Secured Obligee, or release or compromise any obligation of any nature of any Person with respect to any of the Secured Obligations of such Secured Obligee, (iv) release or fail to perfect its Lien upon, or impair, surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Secured Obligations of such Secured Obligee or any

obligation hereunder, or create, extend or renew for one or more periods (whether or not longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any Person with respect to any such property or (v) resort to the Collateral for payment of any of the Secured Obligations whether or not the Administrative Agent (A) shall have resorted to any other property securing any of the Secured Obligations or any obligation hereunder or (B) shall have proceeded against any Person primarily or secondarily obligated with respect to any of the Secured Obligations (all of the actions referred to in preceding clauses (A) and (B) being hereby expressly waived by the Pledgor).

(c) The Administrative Agent shall have no right to vote the Pledged Shares or other Collateral or give consents, waivers or ratifications in respect thereof prior to the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default. After the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Pledgor shall have the right to vote any and all of the Pledged Shares and other Collateral and give consents, waivers and ratifications in respect thereof unless and until it receives notice from the Administrative Agent that such right has been terminated. The Pledgor agrees to deliver (properly endorsed when required) to the Administrative Agent, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, promptly upon request of the Administrative Agent, such proxies and other documents as may be necessary for the Administrative Agent to exercise the voting power with respect to the Pledged Shares and other Collateral then or previously owned by the Pledgor.

SECTION 6 Dividends, etc.

(a) So long as no Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing:

(i) Subject to the provisions of the Credit Agreement and notwithstanding the provisions of Section 2(a) of this Agreement, the Pledgor shall be entitled to receive any and all cash dividends and payments on the Collateral which it is otherwise entitled to receive, but any and all Securities and/or liquidating dividends, payments, distributions in property, returns of capital made on or in respect of the Collateral, whether resulting from

a subdivision, combination, reclassification or conversion of the outstanding capital stock or other Securities of any or all of the Issuers or received in exchange for the Collateral or any part thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which any or all of the Issuers may be a party or otherwise, and any and all cash and other property received in exchange for any Collateral shall be and become part of the Collateral pledged hereunder and, if received by the Pledgor, shall forthwith be delivered to the Administrative Agent or its designated nominee (accompanied, if appropriate, by proper instruments of assignment and/or stock powers executed by the Pledgor in accordance with the Administrative Agent's instructions) to be held subject to the terms of this Agreement, and, until delivery to the Administrative Agent, such Collateral shall be held by the Pledgor separate and apart from its other property in trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes.

(ii) If the Collateral or any part thereof shall have been registered in the name of the Administrative Agent or its sub-agent, the Administrative Agent shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such dividend orders and other instruments as the Pledgor may request for the purpose of enabling the Pledgor to receive the dividends or other payments which it is authorized to receive and retain pursuant to Section 6(a)(i) above.

(b) Upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, all rights of the Pledgor pursuant to Section 6(a)(i) hereof shall cease and the Administrative Agent shall have the sole and exclusive right and authority to receive and retain the dividends and other payments in respect of the Collateral which the Pledgor would otherwise be authorized to retain. All such dividends and payments, and all other distributions made on or in respect of the Collateral which may at any time and from time to time be held by the Pledgor, shall, until delivery to the Administrative Agent, be held by the Pledgor separate and apart from its other property in trust for the Administrative Agent, for the benefit of the Banks and the holders of the Senior Notes. Any and all money and other property paid over to or received by the Administrative Agent pursuant to the provisions of this paragraph (b) shall be retained by the Administrative Agent as

additional Collateral hereunder and be applied in accordance with the provisions hereof.

SECTION 7 Default.

(a) Upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Administrative Agent may exercise from time to time any rights and remedies available to it under the Credit Agreement, the Uniform Commercial Code or the other Loan Documents or otherwise available to it, including, without limitation, sale, assignment, or other disposal of the Collateral in exchange for cash or credit. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed to the Pledgor at least ten (10) days before such disposition as provided in Section 15.3 of the Credit Agreement. Any proceeds of any disposition of Collateral shall be applied as provided in Section 8 hereof. No rights and remedies of the Administrative Agent expressed hereunder are intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative and shall be in addition to all other rights and remedies herein conferred, or conferred upon the Administrative Agent under any other agreement or instrument relating to any of the Secured Obligations or security therefor or now or hereafter existing at law or in equity or by statute. No delay on the part of the Administrative Agent in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Administrative Agent of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

(b)(i) The Pledgor agrees that in any sale of any of the Collateral, the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Administrative Agent is necessary in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official, and the Pledgor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall

the Administrative Agent or any Secured Obligee be liable or accountable to the Pledgor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

(ii) Without limiting the rights of the Administrative Agent under any other provision of this Agreement, and in addition thereto, the Pledgor agrees that, to the maximum extent permitted by law, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, upon written request from the Administrative Agent, the Pledgor shall or shall cause any or all of the Issuers, as the case may be, to prepare, file and cause to become effective promptly, registration statements complying with the Securities Act of 1933, as amended, for the public sale of such of the Collateral as the Administrative Agent may elect, and to take comparable action to permit such sales under the securities laws of such jurisdictions as the Administrative Agent may designate. The Pledgor further agrees to cause any or all of the Issuers, as the case may be, to enter into and perform its obligations under one or more underwriting agreements in connection therewith, containing customary representations, warranties, covenants and indemnities and contribution provisions if requested by the Administrative Agent. If such registration statements are filed, the Pledgor agrees to cause any or all of the Issuers, (A) to keep any such registration statement and related prospectus current and in compliance with applicable federal and state securities laws so long as required to satisfy applicable prospectus delivery requirements and (B) at the request of the Administrative Agent at any time after the effective date of any such registration statement, to use reasonable efforts to file post-effective amendments to such registration statement so that the Administrative Agent's sales of Pledged Shares or other Collateral will be covered by a current prospectus and can be made in compliance with all applicable federal and state securities laws.

(iii) The Pledgor further agrees, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default shall have occurred and shall be continuing, and upon written request from the Administrative Agent, to (A) deliver, and cause any or all of the Issuers to deliver, to the Administrative Agent such information as the Administrative Agent shall reasonably request for inclusion in any registration statement, prospectus or offering memorandum or in any preliminary prospectus or preliminary offering memorandum or any amendment or supplement to any thereof or in any other writing prepared in connection with the offer, sale or resale of all or any portion of the Pledged Shares or other Collateral,

which information shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make such information not misleading, and (B) do or cause to be done all such other acts and things as may be necessary to make such offer, sale or resale of all or any portion of the Pledged Shares or other Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental agencies or instrumentalities, domestic or foreign, having jurisdiction over any such offer, sale or resale.

Without limiting the foregoing paragraph, if the Administrative Agent decides to exercise its right to sell all or any of the Pledged Shares or other Collateral, upon written request, the Pledgor shall furnish or cause to be furnished to the Administrative Agent all such information as the Administrative Agent may request in order to qualify such Pledged Shares or other Collateral as exempt securities, or the sale or resale of such Pledged Shares or other Collateral as exempt transactions, under federal and state securities laws. The Pledgor agrees to allow, and to cause any or all of the Issuers to allow, upon request by the Administrative Agent, the Administrative Agent and any underwriter access at reasonable times and places to the books, records and premises of any or all of the Issuers; the Pledgor further agrees to assist, and cause the Issuers to assist, the Administrative Agent, any underwriter, any agent of any thereof, and any counsel, accountant or other expert for any thereof, in inspection, evaluation, and any other "due diligence" action of or with respect to any such books, records and premises; and the Pledgor further agrees to cause any independent public accountant for any or all of the Issuers to furnish a letter to the Administrative Agent and the underwriters in customary form and covering matters of the type customarily covered by letters of accountants for issuers to underwriters.

(iv) The Pledgor, upon the occurrence and during the continuance of a Default under Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, further agrees that the Administrative Agent shall have the right, for and in the name, place and stead of the Pledgor to execute endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral, and may, without demand, presentment or notice of any kind appropriate and apply toward the payment of the Secured Obligations in order of application set forth in

Section 8 any balances, credits, deposits, accounts or monies of the Pledgor held by the Administrative Agent.

(v) Without limiting the foregoing paragraph, upon the occurrence and during the continuance of a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the Administrative Agent may, to the fullest extent permitted by applicable law, without notice, advertisement, hearing or process of law of any kind, (A) sell any or all of the Collateral, free of all rights and claims of the Pledgor therein and thereto at any public or private sale or brokers' board, and (B) bid for and purchase any or all of the Collateral at any such public sale free from rights of redemption, stay or appraisal of the Pledgor.

(vi) The Pledgor further agrees to indemnify and hold harmless the Administrative Agent, the holders of the Senior Notes and the Banks and each of their respective officers, directors, employees, agents, successors and assigns, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, reasonable attorneys' fees actually incurred (in this paragraph collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise insofar as such loss, liability, claim, damage or expense was caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement, any preliminary prospectus or the prospectus, or was caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities were caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to the Administrative Agent furnished to the Pledgor in writing by the Administrative Agent expressly for use therein, such indemnification to remain operative regardless of any investigation made by or on behalf of the Administrative Agent or any successors thereof, or any Person in control of any thereof. In connection with a public sale or other distribution, the Pledgor will provide customary indemnification to any underwriters, their respective successors and assigns, their respective officers and directors and each Person who controls any such underwriter (within the meaning of the Securities Act of 1933, as amended). If and to the extent that the foregoing undertakings in this paragraph may be unenforceable for any reason, the Pledgor agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Pledgor under this Section 7(b)(vi) shall survive any termination of this Agreement.

(vii) The Pledgor and the Administrative Agent acknowledge that the commissioners or departments of insurance of various states under all applicable insurance laws, rules and regulations may have to consent to or approve any such sale, transfer or other disposition of the Collateral and the terms and conditions thereof. The Pledgor hereby waives and agrees not to assert against the Administrative Agent or any Secured Obligee any claim that any such sale, transfer or other disposition hereunder, or the terms or conditions thereof, were not commercially reasonable because of any provision of any such insurance law, rule or regulation or any matter related thereto.

SECTION 8 Application of Proceeds. All of the proceeds from the sale or disposition of any item of the Collateral pursuant to the terms of Section 7 hereof and/or, after a Default pursuant to Section 12.1.3 of the Credit Agreement as to the Pledgor or an Event of Default, the cash held as Collateral hereunder, shall be applied by the Administrative Agent pursuant to Section 6.2(b) of the Credit Agreement; provided that each reference to "Borrower Non-Shared Pledge Agreement" thereunder shall be deemed a reference to this Agreement.

SECTION 9 Authority of the Administrative Agent. The Administrative Agent shall have, and be entitled to exercise, all such powers hereunder (to the extent permitted by the Credit Agreement) as are specifically delegated to the Administrative Agent by the terms hereof, together with such powers as are incidental thereto, for the benefit of the Banks and the holders of the Senior Notes. As to matters not expressly provided for by this Pledge Agreement (including, without limitation, enforcement or collection of this Pledge Agreement) the Administrative Agent shall not be required to exercise any discretion, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks (without instructions from the holders of the Senior Notes or any representative thereof) and such instructions shall be binding upon all Banks and all holders of the Senior Notes and their representatives. The Administrative Agent may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the reasonable advice of such counsel concerning all matters pertaining to its duties hereunder. Neither the Administrative Agent, the holders of the Senior Notes, the Banks nor any director, officer or employee thereof shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith, except for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent shall not be responsible to

any Bank or any holder of a Senior Note for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Pledge Agreement or any other Loan Document or other support or security (including the validity, priority or perfection of any Lien), or any other document furnished in connection with any of the foregoing; provided that notwithstanding the foregoing, the Administrative Agent shall comply with Section 4. The Pledgor agrees to reimburse the Administrative Agent, on demand, for all reasonable costs and expenses actually incurred by the Administrative Agent in connection with the administration and enforcement of this Agreement and for all costs and expenses of the enforcement of this Agreement (including, without limitation, reasonable costs and expenses actually incurred by any agent employed by the Administrative Agent) and agrees to indemnify (which indemnification shall survive any termination of this Agreement) and hold harmless the Administrative Agent, the holders of the Senior Notes and the Banks (and any such agent) from and against any and all liability incurred by the Administrative Agent, any holder of a Senior Note or any Bank or any such agent thereof hereunder or in connection herewith, unless such liability shall be due to gross negligence or willful misconduct on the part of the Administrative Agent, any holder of a Senior Note or any Bank or such agent, as the case may be.

SECTION 10 Termination. The Pledgor agrees that its pledge hereunder shall (notwithstanding, without limitation, that at any time or from time to time all Liabilities may have been paid in full) terminate only (a) when all Liabilities (except Liabilities which by the terms of the Credit Agreement survive the payment in full of the Loans and the termination of this Agreement) (including, without limitation, any extensions or renewals of any thereof) and all expenses (including, without limitation, reasonable attorneys' fees and legal expenses) paid or actually incurred by the Administrative Agent in endeavoring to enforce this Agreement, the Credit Agreement and the other Loan Documents to which the Administrative Agent is a party or of which it is a beneficiary shall have been finally paid in full and all other obligations of the Pledgor hereunder and thereunder have been fully performed, and all Commitments under the Credit Agreement have been terminated, or (b) pursuant to the express provisions of Section 6.4 of the Credit Agreement. The release of the Collateral pledged hereunder shall be subject to the provisions of Section 6.4 of the Credit Agreement; at which time the Administrative Agent shall reassign and redeliver (or cause to be reassigned and redelivered) to the Pledgor, or to such Person or Persons as the Pledgor shall designate, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Administrative Agent pursuant to the terms hereof and shall still be held by it hereunder, together

with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon, or representation or warranty by, the Administrative Agent or any Bank and at the sole cost and expense of the Pledgor.

SECTION 11 Miscellaneous.

(a) All notices or other communications hereunder shall be given in the manner specified under Section 15.3 of the Credit Agreement, whether or not then in effect, and such notices shall be delivered to each Secured Obligee.

(b) This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, except the Pledgor shall not be permitted to assign this Agreement nor any interest herein nor in the Collateral, nor any part thereof, nor otherwise pledge, encumber or grant any option with respect to the Collateral, nor any part thereof, except in accordance with the terms of the Credit Agreement.

(c) SUBMISSION TO JURISDICTION; WAIVER OF VENUE. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT (I) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY ILLINOIS STATE OR FEDERAL COURT SITTING IN THE NORTHERN DISTRICT OF ILLINOIS OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, AND EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ILLINOIS STATE OR FEDERAL COURT, AND (II) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST THE OTHER PARTY HERETO OR THE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY OF ANY THEREOF, ARISING OUT OF OR RELATING TO THIS AGREEMENT, IN ANY COURT OTHER THAN AS HEREINABOVE SPECIFIED IN THIS SECTION 11(c). EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY ACTION OR PROCEEDING (WHETHER BROUGHT BY THE PLEDGOR, ANY OF ITS SUBSIDIARIES, THE ADMINISTRATIVE AGENT, ANY BANK OR OTHERWISE) IN ANY COURT HEREINABOVE SPECIFIED IN THIS SECTION 11(c) AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(d) At the option of the Administrative Agent, this Agreement, or a carbon, photographic or other reproduction of this Agreement or of any Uniform Commercial Code financing statement covering the Collateral or any portion thereof, shall be sufficient as a Uniform Commercial Code financing statement and may be filed as such.

(e) Subject to Section 15.1 of the Credit Agreement, the provisions of this Agreement or the Credit Agreement (to the extent applicable hereto) may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Pledgor and by the Administrative Agent (at the request of the Required Banks), provided, however, that no such amendment, modification or waiver which would adversely affect the holders of the Senior Notes, shall in any event be effective unless the same shall also be consented to by the holders of the Senior Notes (but only to the extent, if any, required under the Indentures), or the Banks are similarly adversely affected. Any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(f) The section headings in this Agreement are inserted for convenience of reference and shall not be considered a part of this Agreement or used in its interpretation.

(g) The Pledgor hereby expressly waives: (i) notice of the acceptance by the Administrative Agent of this Agreement, (ii) notice of the existence or creation or non-payment of all or any of the Secured Obligations, (iii) presentment, demand, notice of dishonor, protest, and all other notices whatsoever (except as otherwise required herein), and (iv) all diligence in collection or protection of or realization upon the Secured Obligations, or any security for or guaranty of any of the foregoing.

(h) Any Secured Obligee may, from time to time, without notice to the Pledgor, assign or transfer any or all of the Secured Obligations of such Secured Obligee or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Secured Obligations shall be and remain Secured Obligations for the purposes of this Agreement, and each and every immediate and successive assignee or transferee of any of the Secured Obligations of such Secured Obligee or of any interest therein shall, to the extent of the interest of such assignee or transferee in such Secured Obligations, be entitled to the benefits of this Agreement to the same extent as if such assignee or transferee were the Administrative Agent; provided,

however, that, unless the Administrative Agent shall otherwise consent in writing, the Administrative Agent shall have an unimpaired right, prior and superior to that of any such assignee or transferee, to enforce this Agreement.

(i) The Pledgor agrees that, if at any time all or any part of any payment theretofore applied by the Administrative Agent, any Bank or any holder of Senior Notes to any of the Secured Obligations is or must be rescinded or returned by the Administrative Agent, any Bank or any holder of Senior Notes for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of any of the Issuers), such Secured Obligations shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Administrative Agent, and the pledge by the Pledgor hereunder shall continue to be effective or be reinstated, as the case may be, as to such Secured Obligations, all as though such application by the Administrative Agent, such Bank or such holder had not been made.

(j) No action of the Administrative Agent permitted hereunder shall in any way affect or impair the rights of the Administrative Agent and the obligations of the Pledgor under this Agreement. The Pledgor hereby acknowledges that there are no conditions to the effectiveness of this Agreement.

(k) All obligations of the Pledgor and rights of the Administrative Agent or obligation expressed in this Agreement shall be in addition to and not in limitation of those provided in applicable law or in any other written instrument or agreement relating to any of the Secured Obligations.

(l) GOVERNING LAW. THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(m) This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, but all such counterparts shall constitute but one and the same agreement. The Pledgor hereby acknowledges receipt of a true, correct and complete counterpart of this Agreement.

(n) The Administrative Agent acts herein as agent for itself, the Banks, the holders of the Senior Notes and any and all future holders of the Secured Obligations.

(o) The Administrative Agent hereby acknowledges that its exercise of any rights or remedies hereunder shall be subject to any Applicable Insurance Code and agrees to first comply with any Applicable Insurance Code in exercising its rights hereunder.

(p) WAIVER OF JURY TRIAL. EACH OF THE PLEDGOR AND THE ADMINISTRATIVE AGENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY; THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

* * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CIHC, INCORPORATED

By: /s/MARK FERRUCCI

Name: Mark Ferrucci

Its: President

**BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as Administrative Agent**

By: /s/DAVID M. TERRANCE

Name: David M. Terrance

Its: Vice President

SCHEDULE 1

WHOLLY-OWNED SUBSIDIARIES

Bankers National Life Insurance Company
National Fidelity Life Insurance Company Jefferson National Life Insurance Company of Texas Beneficial Standard Life Insurance Company
Great American Reserve Insurance Company

SCHEDULE 2

LISTING OF STOCK PLEDGED

Entity	State of Incorporation	Pledged Common Shares	Ownership Percent
Bankers National Life Insurance Company	TX	250,000	CIHC, Incorporated/ 100%
Conseco L.L.C.	DE	Uncertificated	CIHC, Incorporated/ 90%
Bankers Life Holding Corporation	DE	42,346,407	CIHC, Incorporated/ 54% Conseco, Inc./ 27.5%
Jefferson National Life Insurance Company of Texas	TX	700,000	CIHC Incorporated/ 100%

SCHEDULE 3

LISTING OF STOCK

Entity	Authorized Common Shares	Issued and Outstanding Common Shares
Bankers National Life Insurance Company	300,000	250,000
Bankers Life Holding Corporation	500,000,000	51,975,316

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated to be effective the 1st day of October, 1995, between CONSECO, INC., an Indiana corporation (hereinafter called the "Company"), and LOUIS P. FERRERO (hereinafter called "Executive").

RECITALS

WHEREAS, the Company desires to retain by contract a qualified individual to serve in an executive and managerial capacity with the Company or one or more of its affiliates; and

WHEREAS, Executive has represented to the Company that he is qualified and desires to serve in an executive and managerial capacity with the Company; NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties agree as follows:

PROVISIONS

1. Employment. The Company hereby employs Executive and Executive hereby accepts employment upon the terms and conditions hereinafter set forth.

2. Term. Subject to the provisions for termination as provided in Section 9 hereof, the term of this Agreement shall be the period beginning October 1, 1995, and ending December 31, 2000 (hereinafter called the "Basic Employment Period").

3. Duties. Executive is engaged by the Company in an executive capacity initially to be Vice Chairman, President and Chief Executive Officer of a newly organized subsidiary of the company to be known as Conseco Global Investments ("CGI"). Executive shall report to the Chief Executive Officer of the Company (the "Company's CEO") regarding the performance of his

duties and shall be subject to the direction and control of the Boards of Directors of CGI and the Company (sometimes referred to herein as the "Boards"). Executive's positions with CGI, the Company and their affiliates shall be as determined from time to time by the Boards.

4. Extent of Services. Executive, subject to the direction and control of the Company's CEO and the Boards, shall have the power and authority commensurate with his executive status and necessary to perform his duties hereunder. The Company agrees to provide to Executive through CGI such assistance and work accommodations as are suitable to the character of his positions and adequate for the performance of his duties. Executive shall devote his entire employable time, attention and best efforts to the business of the Company, CGI and/or their affiliates and shall not, without the consent of the Company, during the term of this Agreement be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; but this shall not be construed as preventing Executive from investing his assets in such form or manner as will not require any services on the part of Executive in the operation of the affairs of the companies in which such investments are made. For purposes of this Agreement, full-time employment shall be the normal work week for individuals in comparable executive positions.

5. Compensation. As compensation for services hereunder rendered during the term hereof, Executive shall receive the following payments, all of which shall be subject to withholding of taxes and other appropriate and customary amounts:

- (a) a base salary ("Base Salary") at the rate of Two Hundred Fifty Thousand Dollars (\$250,000) per year payable in equal installments in accordance with the Company's payroll procedure for its salaried employees;
- (b) a cash bonus of Three Hundred Twelve Thousand Five Hundred Dollars (\$312,500) for the fourth quarter of 1995 and an annual cash bonus of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) for each of the calendar years 1996, 1997 and 1998; each annual cash bonus shall be paid in arrears in four equal quarterly installments; all bonus payments shall be made at the same time as bonus payments are made to the Company's other executive officers; and,
- (c) Executive may receive such cash bonuses for calendar years after 1998, or may receive such other incentive compensation, as the Company's Board may approve from time to time.

6. Fringe Benefits.

- (a) Executive shall be entitled to participate in such employee benefit plans and insurance programs currently offered by the Company, or which it may adopt from time to time, for its executive management or supervisory personnel generally, in accordance with the eligibility requirements for participation therein. Nothing herein shall be construed so as to prevent the Company from modifying or terminating any employee benefit plans or programs, or employee fringe benefits, it may adopt from time to time.
- (b) Executive may incur reasonable expenses for promoting the business of CGI, including expenses for entertainment, travel, and similar items. The Company shall cause CGI to reimburse Executive for all such reasonable expenses upon Executive's periodic presentation of an itemized account of such expenditures in accordance with the Company's accounting procedures.
- (c) Executive shall be entitled to receive on October 1, 1995 (the "Grant Date") a grant of options to purchase 100,000 shares of common stock of the Company. The exercise price for each option share shall be the average price reported for September 29, 1995, on the NYSE for a share of the Company's common stock. One-third of such options shall vest and become exercisable on each of the first three anniversaries of the Grant Date. Such options shall otherwise be upon the terms set forth in the Company's standard form of option agreement for its executive officers.

7. Disclosure of Information. Executive acknowledges that in and as a result of his employment under this Agreement, he will be making use of, acquiring and/or adding to confidential information of CGI, the Company and/or their affiliates of a special and unique nature and value. As a material inducement to the Company to enter into this Agreement and to pay to Executive the compensation stated in Section 5, as well as any additional benefits stated herein, Executive covenants and agrees that he shall not, at any time during or following the term of his employment, directly or indirectly, divulge or disclose for any purpose whatsoever, any confidential information that has been obtained by or disclosed to him as a result of his employment with the Company, CGI or any of their affiliates. Upon the termination of this Agreement, Executive shall return all materials obtained from or belonging to the Company, CGI or any of their affiliates which he may have in his possession or control. In the event of a breach or threatened breach by Executive of the provisions of this Section, the Company, CGI and any of their affiliates shall be entitled to an injunction restraining Executive from utilizing or disclosing, in whole or in part, such material, or from rendering any service to any person, firm, corporation, association, or other entity to which such material might be useful, and/or any and all persons directly or indirectly acting for or with Executive. Nothing herein shall be construed as prohibiting the Company, CGI or any of their affiliates from pursuing any other remedies available to any of them for such breach or threatened breach, including the recovery of damages from Executive.

8. Covenants Against Competition and Solicitation. Executive acknowledges that the services he is to render under this Agreement are of a special and unusual character, with a unique value to the Company and CGI, the loss of which cannot adequately be compensated by damages or an action at law. In view of the unique value to the Company and CGI of the services of Executive for which the Company has contracted hereunder, because of the confidential information to be obtained by, or disclosed to, Executive as hereinabove set forth, and as a material inducement to the Company to enter into this Agreement and to pay to Executive the compensation stated in Section 5, as well as any additional benefits stated herein, and for other good and valuable consideration, Executive covenants and agrees that he will not, directly or indirectly, anywhere in the world (a) throughout the Basic Employment Period, render any services, as an officer, agent, independent contractor, consultant or otherwise, or become employed or compensated by, any other corporation, person or entity engaged in the business of selling financial or investment products or services, or in any other manner compete with the Company, CGI or any of their subsidiaries or affiliates; or (b) throughout the Basic Employment Period and for a period of three (3) years thereafter (the "Additional Covenant Period"), (i) solicit or attempt to convert to other companies or business entities providing the same or similar products or services provided by the Company, CGI and their subsidiaries and affiliates, any of their customers or clients, (ii) solicit for employment or representation, or employ, engage or retain, any employee, agent, representative or consultant employed or engaged by the Company, CGI, or any of their subsidiaries or affiliates, or (iii) be involved in any manner in soliciting investors for, or generating prospective investments for, any capital investment fund which has or would have the same or similar investment objectives as Conseco Capital Partners II, L.P. or any other investment fund or venture sponsored or established by the Company or its affiliates during the Basic Employment Period.

9. Termination.

(a) Either the Company or Executive may terminate this Agreement at any time for any reason upon written notice to the other. This Agreement shall also terminate upon the death of Executive.

(b) In the event this Agreement is terminated by the Company and such termination is not for "just cause" as defined in (d) below, Executive shall be entitled to receive, for the remainder of the Basic Employment Period, his Base Salary, as determined pursuant to Section 5(a) hereof, the fixed cash bonuses payable for 1995, 1996, 1997 and 1998 under Section 5(b) hereof, and all other unpaid amounts accrued as of the date of termination pursuant to any other provision of this Agreement.

(c) In the event this Agreement is terminated by the death of Executive, is terminated by the Company for "just cause" as defined in (d) below, or is terminated by Executive, Executive shall be entitled to receive his Base Salary as provided in Section 5(a) accrued but unpaid as of the date of termination, and all other unpaid amounts accrued but unpaid as of the date of termination pursuant to any other provision of this Agreement.

(d) For purposes of this Agreement, "just cause" shall mean and include:

- (i) Executive's breach of any provision of this Agreement, or his use of alcohol or drugs in a manner which interferes with the performance of his duties hereunder or which compromises the integrity and reputation of the Company, its employees, or products;
- (ii) Executive's conviction by a court of law, or admission that he is guilty, of a felony or other crime involving moral turpitude;
- (iii) Executive's absence from his employment, for whatever cause, for a period of more than one (1) month, without prior written consent from the Company;
- (iv) any material misrepresentation or omission of information by Executive on or in connection with his application for employment with the Company;
- (v) Executive becomes incompetent or is reasonably unable to undertake and discharge the duties and responsibilities of his position; or
- (vi) Executive's gross negligence, willful malfeasance or fraud or dishonesty in performing his services on behalf of the Company pursuant to this Agreement; or
- (vii) Executive's willful failure or refusal to comply with the Company's policies, practices and procedures as published from time to time in its employee handbook or standards manual.

10. Arbitration of Disputes. Except as otherwise provided in Section 15 hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City of Indianapolis, Indiana, in accordance with the laws of the State of Indiana by three arbitrators, one of whom shall be appointed by the Company, one by Executive and the third by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States District Court for the Southern District of Indiana. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for Executive to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, the Company shall pay (or Executive shall be entitled to recover from the Company, as the case may be) his reasonable attorneys' fees and costs and expenses in connection with the enforcement of any arbitration award in court, regardless of the final outcome, unless the arbitrators shall determine that under the circumstances recovery by Executive of all or a part of any such fees and costs and expenses would be unjust.

11. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by overnight courier or by certified mail to his residence in Atlanta, Georgia, in the case of Executive, or to the principal business office of its Chief Executive Officer in Carmel, Indiana, in the case of the Company, or in either case to such other address in the United States of which a party shall have given notice in accordance with this provision.

12. Waiver of Breach and Severability. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by either party. In the event any provision of this Agreement is found to be invalid or unenforceable, it may be severed from the Agreement and the remaining provisions of the Agreement shall continue to be binding and effective.

13. Entire Agreement. This instrument contains the entire agreement of the parties and supersedes all prior agreements between them. This agreement may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

14. Binding Agreement; Governing Law; Assignment Limited; Survival of Certain Covenants. This Agreement shall be binding upon and shall inure to the benefit of the parties and their lawful successors in interest and shall be construed in accordance with and governed by the laws of the State of Indiana. This Agreement is personal to each of the parties hereto, and neither party may assign nor delegate any of its rights or obligations hereunder without the prior written consent of the other; provided, however, that Executive hereby consents to the assignment at any time by the Company of its interest hereunder to CGI or any assignee which is at the time of such assignment a direct or indirect controlled subsidiary of the Company engaged in the life insurance business, whether or not such assignment is made in contemplation of the disposition by the Company of all or any part of its interest in the assignee, but no such assignment shall operate as a novation or release of the assignor from any obligations hereunder. The covenants of Executive set forth in Sections 7 and 8 hereof shall survive the termination of this Agreement.

15. Equitable Remedies. Notwithstanding the provisions of Section 10 hereof, in the event of a breach or threatened breach by Executive of any of the covenants set forth in Sections 7 and 8 hereof, the Company, CGI or any of their affiliates shall be entitled to seek in any court of proper jurisdiction all appropriate remedies, including without limitation injunctive relief and monetary damages. With respect to any such action, Executive hereby irrevocably submits to the non-exclusive jurisdiction of any Federal or state court sitting in either Marion County or Hamilton County, Indiana.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CONSECO, INC.

By: /s/ Stephen C. Hilbert

Stephen C. Hilbert,
Chairman of the Board

"Company"

/s/ Louis P. Ferrero

LOUIS P. FERRERO

"Executive"

**AMENDMENT NUMBER 2 TO THE AMENDED AND RESTATED
CONSECO STOCK BONUS AND DEFERRED COMPENSATION PROGRAM**

This Amendment to the Amended and Restated Conseco Stock Bonus and Deferred Compensation Program (the "Amendment") is to be effective as of January 1, 1995 to amend the Amended and Restated Conseco Stock Bonus and Deferred Compensation Program, as amended, which was effective on December 21, 1992 and amended effective December 30, 1993 (the "Plan").

AMENDMENT

1. Section 6.01 of the Plan is amended and restated in its entirety to read as follows:

6.01 Each annual amount awarded to a Participant under Section V shall become fully vested and the value of his Cash Allocation Account and Stock Allocation Account attributable to such award shall become fully vested after a period of continuous employment with the Company ending:

- (a) Upon the fifth anniversary of the end of the calendar year for which such amount was awarded (for this purpose, accretions due to dividends, distributions, or stock splits shall vest at the same time as the base award to which such accretions relate);
- (b) By reason of the Participant's attainment of age sixty (60);
- (c) By reason of the Participant's Total and Permanent Disability;
- (d) By reason of the Participant's death;
- (e) By reason of the occurrence of a Change in Control; or
- (f) Upon a non-employee director serving on the Board of Directors of the Company for at least ten years.

All awards not fully vested upon termination of employment shall be forfeited, and the Company's obligation for benefits based on these awards shall cease.

2. Except as provided for in this Amendment, the Plan shall continue in full force and effect.

CONSECO, INC. AND SUBSIDIARIES
Exhibit 11.1

COMPUTATION OF EARNINGS PER SHARE - PRIMARY

for the years ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Shares outstanding, beginning of year.....	44,369,700	50,623,546	49,822,296
Weighted average shares issued (acquired) during the year:			
Shares issued under employee stock plans.....	1,868	6,972	3,332
Treasury stock acquired.....	(3,775,022)	(7,711,640)	(452,232)
Exercise of stock options.....	105,886	7,214,394	1,024,144
Preferred stock conversions.....	-	-	322
Common equivalent shares at average market price related to:			
Stock options.....	1,460,438	1,727,206	7,360,760
Employee stock plans.....	884,050	835,766	731,076
Weighted average primary shares outstanding.....	43,046,920	52,696,244	58,489,698
Net income for primary earnings per share:			
Net income as reported.....	\$ 220,425,000	\$150,398,000	\$297,016,000
Less preferred stock dividends.....	(18,427,000)	(18,632,000)	(20,567,000)
Net income for primary earnings per share.....	\$201,998,000	\$131,766,000	\$276,449,000
Net income per primary common share.....	\$4.69	\$2.50	\$4.73
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES Exhibit 11.2

COMPUTATION OF EARNINGS PER SHARE - FULLY DILUTED
for the years ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Weighted average primary shares outstanding.....	43,046,920	52,696,244	58,489,698
Incremental common equivalent shares:			
Related to options and employee stock plans based on market price at end of period.....	299,458	8,986	107,932
Related to convertible preferred stock.....	8,893,530	9,013,222	8,392,740
	-----	-----	-----
Weighted average fully diluted shares outstanding	52,239,908	61,718,452	66,990,370
	=====	=====	=====
Net income for fully diluted earnings per share:			
Net income as reported.....	\$220,425,000	\$150,398,000	\$297,016,000
Less preferred stock dividends.....	-	-	(3,178,000)
Net income for fully diluted earnings per share.....	\$220,425,000	\$150,398,000	\$293,838,000
	=====	=====	=====
Net income per fully diluted common share.....	\$4.22	\$2.44	\$4.39
	=====	=====	=====

CONSECO, INC. AND SUBSIDIARIES
Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends - Consolidated Basis for the years ended December 31, 1995, 1994 and 1993

(Dollars in millions)

	1995	1994	1993
Pretax income from operations:	---	---	---
Net income	\$ 220.4	\$ 150.4	\$ 297.0
Add income tax expense	87.0	111.0	223.1
Add extraordinary charge on extinguishment of debt	2.1	4.0	11.9
Add minority interest	109.0	59.0	78.2
Less equity in undistributed earnings of CCP	--	(23.8)	(36.6)
Less equity in undistributed earnings of WNC	--	(37.2)	--
	-----	-----	-----
Pretax income from operations	418.5	263.4	573.6
	-----	-----	-----
Add fixed charges:			
Interest expense on annuities and financial products	585.4	134.7	408.5
Interest expense on long-term debt, including amortization	119.4	59.3	58.0
Interest expense on investment borrowings	22.2	7.7	10.6
Other	1.0	.9	.6
Portion of rental(1)	6.9	6.2	3.9
	-----	-----	-----
Fixed charges	734.9	208.8	481.6
	-----	-----	-----
Adjusted earnings	\$1,153.4	\$ 472.2	\$1,055.2
	=====	=====	=====
Ratio of earnings to fixed charges	1.57X	2.26X	2.19X
	=====	=====	=====
Ratio of earnings to fixed charges, excluding interest on annuities and financial products	3.80X	4.55X	8.85X
	=====	=====	=====
Fixed charges	\$ 734.9	\$ 208.8	\$ 481.6
Add dividends on preferred stock, including dividends on preferred stock of subsidiaries (divided by the rate of income before minority interest and extraordinary charge to pretax income)	36.0	33.2	34.6
	-----	-----	-----
Adjusted fixed charges	\$ 770.9	\$ 242.0	\$ 516.2
	=====	=====	=====
Adjusted earnings	\$1,153.4	\$ 472.2	\$1,055.2
	=====	=====	=====
Ratio of earnings to fixed charges and preferred dividends	1.50X	1.95X	2.04X
	=====	=====	=====
Ratio of earnings to fixed charges and preferred dividends, excluding interest on annuities and financial products	3.06X	3.14X	6.00X
	=====	=====	=====

(1) Interest portion of rental is assumed to be 33 percent.

LIST OF SUBSIDIARIES

NAME(1)	JURISDICTION
CIHC, Incorporated	-----
Bankers National Life Insurance Company	Delaware
National Fidelity Life Insurance Company	Texas
Bankers Life Holding Corporation (2)	Missouri
Bankers Life Insurance Company of Illinois	Delaware
Bankers Life and Casualty Company	Illinois
Certified Life Insurance Company	Illinois
Jefferson National Life Insurance Company of Texas	California
Beneficial Standard Life Insurance Company	Texas
Great American Reserve Insurance Company	California
Conseco, L.L.C.	Texas
Conseco Services, LLC	Indiana
Conseco Global Investments, Inc.	Delaware
Lincoln American Life Insurance Company	Tennessee
Conseco Partnership Management, Inc.	Indiana
Conseco Capital Partners II, L.P. (3)	Delaware
American Life Group, Inc. (4)	Delaware
American Life Holding Company	Delaware
American Life and Casualty Marketing Division Co.	Iowa
American Life and Casualty Insurance Company	Iowa
Vulcan Life Insurance Company (5)	Alabama
Conseco Entertainment, Inc.	Indiana
Conseco Entertainment, L.L.C.	Indiana
Conseco HPLP, L.L.C.	Indiana
Conseco Capital Management, Inc.	Delaware
Conseco Mortgage Capital, Inc.	Delaware
Conseco Private Capital Group, Inc.	Indiana
CNC Real Estate, Inc.	Delaware
GARCO Equity Sales, Inc.	Texas
Conseco Risk Management, Inc.	Indiana
Wells & Company, Inc.	Indiana
CRM Acquisition Company	Indiana
Wellsco, Inc.	Indiana
Marketing Distribution Systems Consulting Group, Inc.	Delaware
(1) Except as otherwise indicated, each company is a direct or indirect wholly owned subsidiary of the indicated parent.	
(2) Conseco owns approximately 88 percent (90.5 percent as of March 5, 1996) of the outstanding shares.	
(3) Conseco and its subsidiaries own 25 percent of the total limited partnership interest and Conseco Partnership Management, Inc. owns a 1 percent general partnership interest.	
(4) Conseco Capital Partners II, L.P. owns 80 percent of the outstanding shares. Conseco owns approximately 36 percent interest through its direct and indirect ownership interest.	
(5) American Life and Casualty Insurance Company owns 98 percent of Vulcan Life Insurance Company.	

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Conseco, Inc. on Form S-8 (File Nos. 33-57079, 33-56901, 33-57931, 33-40556, 33-58710 and 33-58712) of our report dated March 20, 1996, on our audits of the consolidated financial statements and financial statement schedules of Conseco, Inc. as of December 31, 1995 and 1994, and for the years ended December 31, 1995, 1994 and 1993, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P. Indianapolis, Indiana
March 20, 1996

ARTICLE 7

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-K FOR CONSECO, INC. DATED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1995
PERIOD END	DEC 31 1995
DEBT HELD FOR SALE	12,963,300
DEBT CARRYING VALUE	0
DEBT MARKET VALUE	0
EQUITIES	36,600
MORTGAGE	599,000
REAL ESTATE	0
TOTAL INVEST	14,414,600
CASH	0
RECOVER REINSURE	84,800
DEFERRED ACQUISITION	1,421,700
TOTAL ASSETS	17,297,500
POLICY LOSSES	12,673,100
UNEARNED PREMIUMS	187,900
POLICY OTHER	244,700
POLICY HOLDER FUNDS	272,700
NOTES PAYABLE	1,456,100
COMMON	157,200
PREFERRED MANDATORY	0
PREFERRED	283,500
OTHER SE	671,000
TOTAL LIABILITY AND EQUITY	17,297,500
PREMIUMS	1,465,000
INVESTMENT INCOME	1,142,600
INVESTMENT GAINS	188,900
OTHER INCOME	58,800
BENEFITS	1,692,900
UNDERWRITING AMORTIZATION	307,500
UNDERWRITING OTHER	272,100
INCOME PRETAX	418,500
INCOME TAX	87,000
INCOME CONTINUING	331,500
DISCONTINUED	0
EXTRAORDINARY	(2,100)
CHANGES	0
NET INCOME	220,400
EPS PRIMARY	4.69
EPS DILUTED	4.22
RESERVE OPEN	0
PROVISION CURRENT	0
PROVISION PRIOR	0
PAYMENTS CURRENT	0
PAYMENTS PRIOR	0
RESERVE CLOSE	0
CUMULATIVE DEFICIENCY	0

¹ Includes \$259,100 of credit tenant loans.

² Includes \$1,030,700 of cost of policies purchased.

³ Includes notes payable of Bankers Life Holding Corporation of \$301,500 and CCP II of \$283,200 which are not direct obligations of Conseco.

⁴ Includes retained earnings of \$558,300, offset by net unrealized appreciation of securities of \$112,700.

⁵ Includes net realized gains of \$186,400 and a net trading gain of \$2,500.

⁶ Includes fee revenue of \$33,900, restructuring income of \$15,200 and other income of \$9,700.

⁷ Includes insurance policy benefits of \$1,075,500, change in future policy benefits of \$32,000 and interest expense on annuities and financial products of \$585,400.

⁸ Includes amortization of cost of policies purchased of \$118,800 and cost of policies produced of \$62,100 and amortization related to realized gains of \$126,600.

End of Filing

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