

CONSECO INC

FORM 8-K (Current report filing)

Filed 01/10/97 for the Period Ending 12/31/96

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

CONSECO INC

FORM 8-K (Unscheduled Material Events)

Filed 1/10/1997 For Period Ending 12/31/1996

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: December 31, 1996

CONSECO, INC.

State of Incorporation:
Indiana

Commission File Number IRS Employer Id. Number
No. 1-9250 No. 35-1468632

Address of Principal Executive Offices:
11825 North Pennsylvania Street
Carmel, Indiana 46032

Telephone No.
(317) 817-6100

CONSECO, INC. AND SUBSIDIARIES

ITEM 5. OTHER EVENTS.

On December 31, 1996, Consecos, Inc. ("Consecos") completed its merger with Bankers Life Holding Corporation ("BLH"), in a transaction pursuant to which BLH was merged with and into CIHC, Incorporated ("CIHC"), a wholly owned subsidiary of Consecos, with CIHC being the surviving corporation (the "Merger"). The Merger was consummated pursuant to a Plan of Merger dated as of August 26, 1996. In the Merger, each outstanding share of BLH common stock, not already owned by Consecos, was exchanged for 0.3983 shares of Consecos common stock. Consecos issued approximately 2.0 million shares of Consecos common stock or common stock equivalents with a value of approximately \$122.5 million to acquire BLH's common stock not already owned by Consecos.

The acquisition of BLH will be accounted for under the step acquisition method of accounting. Under this method, the total purchase cost of the common stock of BLH, not already owned by Consecos, is allocated to the assets and liabilities acquired based on their relative fair values as of the date of acquisition, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. The values of the assets and liabilities of BLH included in Consecos's consolidated financial statements will represent the combination of the following values: (i) the portion of BLH's net assets acquired by Consecos in the initial acquisition made by Consecos Capital Partners, L.P. on October 31, 1992, is valued as of that acquisition date; (ii) the portion of BLH's net assets acquired by Consecos on September 30, 1993, is valued as of that acquisition date; (iii) the portion of BLH's net assets acquired during 1995 and the first quarter of 1996 is valued as of the dates of their purchase; and (iv) the portion of BLH's net assets acquired in the Merger is valued as of December 31, 1996.

CONSECO, INC. AND SUBSIDIARIES

ITEM 7 (e). EXHIBIT.

99.1 Pro Forma Consolidated Financial Statements of Consecos, Inc. and Subsidiaries

CONSECO, INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 31, 1996

CONSECO, INC.

By: /s/ *ROLLIN M. DICK*

Rollin M. Dick
Executive Vice President
and Chief Financial Officer

CONSECO, INC. AND SUBSIDIARIES PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated statement of operations of Conseco, Inc. ("Conseco") for the nine months ended September 30, 1996, and for the year ended December 31, 1995, presents the consolidated operating results for Conseco as if the merger (the "Merger") of Bankers Life Holding Corporation ("BLH") with and into a wholly owned subsidiary of Conseco, had occurred on January 1, 1995.

The pro forma consolidated statement of operations data for Conseco for the year ended December 31, 1995, set forth in the unaudited pro forma consolidated statement of operations under the column "Pro forma Conseco before the Merger" reflect the prior application of certain pro forma adjustments for the following transactions, all of which have already occurred, as if such transactions had occurred on January 1, 1995: (i) the issuance of \$275.0 million of Trust Originated Preferred Securities ("TOPrS") having a distribution rate of 9.16 percent (the "TOPrS Offering") completed November 19, 1996; (ii) the issuance of \$325.0 million of Capital Trust Pass-through Securities ("TruPS") having a distribution rate of 8.70 percent (the "TruPS Offering") completed November 27, 1996; (iii) the merger (the "THI Merger") of Transport Holdings Inc. ("THI") with and into Conseco completed December 23, 1996; (iv) the merger (the "ATC Merger") of American Travellers Corporation ("ATC") with and into Conseco completed December 17, 1996; (v) the call for redemption of Conseco's Series D Convertible Preferred Stock (the "Series D Call") completed on September 26, 1996; (vi) the acquisition of all of the outstanding common stock of American Life Holdings, Inc. ("ALH"), not previously owned by Conseco, and related transactions (the "ALH Transaction") completed on September 30, 1996; (vii) the acquisition (the "LPG Merger") of Life Partners Group, Inc. ("LPG") completed effective June 30, 1996; (viii) the acquisition of all of the outstanding common stock of CCP Insurance, Inc. ("CCP") not previously owned by Conseco and related transactions (including the repayment of the borrowings under Conseco's existing \$250.0 million revolving credit agreement) completed August 31, 1995; (ix) the increase of Conseco's ownership in Bankers Life Holding Corporation ("BLH") to 90.4 percent, as a result of purchases of common shares of BLH by Conseco and BLH during 1995 and the first three months of 1996; (x) the issuance of 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities Convertible Preferred Stock ("PRIDES") of Conseco in January 1996; (xi) the BLH tender offer for and repurchase of its 13 percent senior subordinated notes due 2002 and related financing transactions completed in March 1996 (the "BLH Tender Offer"); and (xii) the debt restructuring of ALH in the fourth quarter of 1995. Such pro forma adjustments are set forth in: (i) Conseco's Current Report on Form 8-K dated December 23, 1996; (ii) Conseco's Current Report on Form 8-K dated December 17, 1996; (iii) Exhibit 99.2 included in Conseco's Current Report on Form 8-K dated September 25, 1996; (iv) Conseco's Current Report on Form 8-K dated August 2, 1996; and (v) Exhibit 99.1 included in Conseco's Current Report on Form 8-K dated April 10, 1996.

The pro forma consolidated statement of operations data for Conseco for the nine months ended September 30, 1996, set forth in the unaudited pro forma consolidated statement of operations under the column "Pro forma Conseco before the Merger" reflect the prior application of certain pro forma adjustments for the following transactions, all of which have already occurred, as if such transactions had occurred on January 1, 1995: (i) the TOPrS Offering; (ii) the TruPS Offering; (iii) the THI Merger; (iv) the ATC Merger; (v) the Series D Call; (vi) the ALH Transaction; (vii) the LPG Merger; (viii) the issuance of 4.37 million shares of Conseco PRIDES in January 1996; and (ix) the BLH Tender Offer. Such pro forma adjustments are set forth in: (i) Conseco's Current Report on Form 8-K dated December 23, 1996; (ii) Conseco's Current Report on Form 8-K dated December 17, 1996; and (iii) Exhibit 99.1 included in Conseco's Form 10-Q for the quarterly period ended September 30, 1996.

The unaudited pro forma consolidated balance sheet of Conseco as of September 30, 1996, gives effect to the Merger as if it had occurred on September 30, 1996.

The unaudited pro forma consolidated balance sheet data as of September 30, 1996, set forth in the unaudited pro forma balance sheet under the column "Pro forma Conseco before the Merger" reflect the prior application of certain pro forma adjustments for the following transactions, all of which have already occurred, as if such transactions had occurred on September 30, 1996: (i) the TOPrS Offering; (ii) the TruPS Offering; (iii) the THI Merger; and (iv) the ATC Merger. Such pro forma adjustments are set forth in: (i) Conseco's Current Report on Form 8-K dated December 23, 1996; and (ii) Conseco's Current Report on Form 8-K dated December 17, 1996.

The pro forma consolidated financial statements are based on the historical financial statements of Conseco, LPG, ATC and THI and are qualified in their entirety by, and should be read in conjunction with, these financial statements and the notes thereto. The pro forma data are not necessarily indicative of the results of operations or financial condition of Conseco had these transactions occurred on January 1, 1995, nor the results of future operations. Conseco anticipates cost savings and additional benefits as a result of certain of the transactions contemplated in the pro forma financial statements. Such benefits and any other changes that might have resulted from management of the combined companies have not been included as adjustments to the pro forma consolidated

financial statements. Certain amounts from the prior periods have been reclassified to conform to the current presentation.

The unaudited pro forma consolidated financial statements reflect cost allocations for the LPG Merger, the ALH Transaction, the ATC Merger, the THI Merger and the Merger using estimated values of the assets and liabilities of LPG, ALH, ATC, THI and BLH as of the assumed merger dates based on appraisals and other studies, which are not yet complete. Accordingly, the final allocations will be different than the amounts included in the accompanying pro forma consolidated financial statements. Although the final allocations will differ, the pro forma consolidated financial statements reflect management's best estimate based on currently available information as if the LPG Merger, the ALH Transaction, the ATC Merger, the THI Merger and the Merger had occurred on the assumed merger dates.

CONSECO, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Amounts in millions, except per share amounts)
(unaudited)

	Pro forma Conseco before the Merger -----	Pro forma adjustments relating to the Merger -----	Pro forma Conseco totals -----
Revenues:			
Insurance policy income	\$1,714.7	\$ -	\$1,714.7
Investment activity:			
Net investment income	1,143.3		1,143.3
Net trading losses	(6.5)		(6.5)
Net realized gains	26.6	(.2)(1)	26.4
Fee revenue	29.7		29.7
Restructuring income	30.4		30.4
Other income	12.8		12.8
	-----	-----	-----
Total revenues	2,951.0	(.2)	2,950.8
	-----	-----	-----
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	1,203.5	(1.5)(1)	1,202.0
Interest expense on annuities and financial products	549.5		549.5
Interest expense on notes payable	76.7		76.7
Interest expense on investment borrowings	17.2		17.2
Amortization related to operations	283.9	.4 (1)	284.3
Amortization related to realized gains	22.3	(.1)(1)	22.2
Other operating costs and expenses	332.3	1.6 (1)	333.9
	-----	-----	-----
Total benefits and expenses	2,485.4	.4	2,485.8
	-----	-----	-----
Income before income taxes, minority interest and extraordinary charge	465.6	(.6)	465.0
Income tax expense	178.1	(.1)(2)	178.0
	-----	-----	-----
Income before minority interest and extraordinary charge	287.5	(.5)	287.0
Minority interest in consolidated subsidiaries:			
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	26.1		26.1
Dividends on preferred stock	6.4		6.4
Equity in earnings	13.9	(13.9)(3)	-
	-----	-----	-----
Income before extraordinary charge	\$ 241.1	\$ 13.4	\$ 254.5
	=====	=====	=====

Earnings per common share and
common equivalent share:

Primary:

Weighted average shares outstanding	92.1 =====	2.0 (4) =====	94.1 =====
Income before extraordinary charge	\$2.62 =====		\$2.70 =====

Fully diluted:

Weighted average shares outstanding	97.6 =====	2.0 (4) =====	99.6 =====
Income before extraordinary charge	\$2.48 =====		\$2.57 =====

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

CONSECO, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 1995
(Amounts in millions, except per share amounts)
(unaudited)

	Pro forma Conseco before the Merger -----	Pro forma adjustments relating to the Merger -----	Pro forma Conseco totals -----
Revenues:			
Insurance policy income	\$2,216.9	\$ (.3)(1)	\$2,216.6
Investment activity:			
Net investment income	1,528.9	(.1)(1)	1,528.8
Net trading income	2.5		2.5
Net realized gains	222.5	(.4)(1)	222.1
Fee revenue	33.9		33.9
Restructuring income	15.2		15.2
Other income	12.6	(.1)(1)	12.5
	-----	-----	-----
Total revenues	4,032.5	(.9)	4,031.6
	-----	-----	-----
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	1,566.2	(1.7)(1)	1,564.5
Interest expense on annuities and financial products	758.5	.3 (1)	758.8
Interest expense on notes payable	108.5	(.4)(1)	108.1
Interest expense on investment borrowings	30.2		30.2
Amortization related to operations	361.1	(2.8)(1)	358.3
Amortization related to realized gains	144.4	(.6)(1)	143.8
Other operating costs and expenses	478.4	5.9 (1)	484.3
	-----	-----	-----
Total benefits and expenses	3,447.3	.7	3,448.0
	-----	-----	-----
Income before income taxes, minority interest and extraordinary charge	585.2	(1.6)	583.6
Income tax expense	226.6	(.6)(2)	226.0
	-----	-----	-----
Income before minority interest and extraordinary charge	358.6	(1.0)	357.6
Minority interest in consolidated subsidiaries:			
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	34.8		34.8
Dividends on preferred stock	8.7		8.7
Equity in earnings	12.6	(12.6)(3)	-
	-----	-----	-----
Income before extraordinary charge	\$ 302.5	\$ 11.6	\$ 314.1
	=====	=====	=====

Earnings per common share and
common equivalent share:

Primary:

Weighted average shares outstanding	90.6 =====	2.0 (4) =====	92.6 =====
Income before extraordinary charge	\$3.34 =====		\$3.39 =====

Fully diluted:

Weighted average shares outstanding	94.9 =====	2.0 (4) =====	96.9 =====
Income before extraordinary charge	\$3.19 =====		\$3.24 =====

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco before the Merger -----	Pro forma adjustments relating to the Merger -----	Pro forma Conseco totals -----
Assets			
Investments:			
Actively managed fixed maturity securities at fair value	\$17,048.6	\$ -	\$17,048.6
Equity securities at fair value	105.3		105.3
Mortgage loans	381.2		381.2
Credit-tenant loans	393.8		393.8
Policy loans	542.9		542.9
Other invested assets	217.5		217.5
Short-term investments	259.1		259.1
Assets held in separate accounts	300.4		300.4
	-----	-----	-----
Total investments	19,248.8	-	19,248.8
Accrued investment income	290.1		290.1
Cost of policies purchased	2,228.7	65.9 (1)	2,294.6
Cost of policies produced	541.0	(50.7)(1)	490.3
Reinsurance receivables	469.2		469.2
Income taxes	42.3	(5.3)(2)	37.0
Goodwill	2,087.5	57.3 (1)	2,144.8
Property and equipment	110.5		110.5
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0		45.0
Other assets	247.5		247.5
	-----	-----	-----
Total assets	\$25,310.6	\$ 67.2	\$25,377.8
	=====	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco for the Merger -----	Pro forma adjustments relating to the Merger -----	Pro forma Conseco totals -----
Liabilities:			
Insurance liabilities	\$19,100.4	\$ -	\$19,100.4
Investment borrowings	539.4		539.4
Other liabilities	522.7		522.7
Liabilities related to separate accounts	300.1		300.1
Notes payable of Conseco	869.7	418.1 (5)	1,287.8
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1	(418.1)(5)	-
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0		13.0
	-----	-----	-----
Total liabilities	21,763.4	-	21,763.4
	-----	-----	-----
Minority interest in consolidated subsidiaries:			
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	600.0		600.0
Preferred stock	92.5		92.5
Common stock	55.3	(55.3)(3)	-
	-----	-----	-----
Shareholders' equity:			
Preferred stock	267.1		267.1
Common stock and additional paid-in capital	1,898.0	122.5 (6)	2,020.5
Unrealized appreciation (depreciation) of securities	(47.0)		(47.0)
Retained earnings	681.3		681.3
	-----	-----	-----
Total shareholders' equity	2,799.4	122.5	2,921.9
	-----	-----	-----
Total liabilities and shareholders' equity	\$25,310.6	\$ 67.2	\$25,377.8
	=====	=====	=====

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

CONSECO AND SUBSIDIARIES
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

TRANSACTIONS RELATING TO THE MERGER

In the Merger, each share of BLH common stock was converted into the right to receive a fraction of a share of Conseco common stock determined based on the average price of Conseco common stock prior to closing (such average price per share of Conseco common stock was \$62.7625, resulting in an exchange ratio of 0.3983 shares valued at \$25.00). Conseco issued 2.0 million shares of Conseco common stock with a value of approximately \$122.5 million.

The pro forma adjustments are applied to the historical consolidated financial statements of Conseco using the step acquisition method of accounting. Under this method, the total purchase cost of the common stock of BLH, not already owned by Conseco, is allocated to the assets and liabilities acquired based on their relative fair values as of the date of acquisition, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. The values of the assets and liabilities of BLH included in Conseco's pro forma consolidated financial statements represent the combination of the following values: (1) the portion of BLH's net assets acquired by Conseco in the initial acquisition made by Conseco Capital Partners, L.P. on October 31, 1992, is valued as of that acquisition date; (2) the portion of BLH's net assets acquired by Conseco on September 30, 1993, is valued as of that acquisition date; (3) the portion of BLH's net assets acquired during 1995 and the first quarter of 1996 is valued as of its assumed date of acquisition; and (4) the portion of BLH's net assets acquired in the Merger is valued at the assumed dates of acquisition.

Adjustments to give effect to the Merger are summarized below:

- (1) As described above, the Merger is accounted for as a step acquisition. The accounts of BLH are adjusted to reflect the step basis method of accounting as if the Merger was completed on the assumed dates of acquisition.
- (2) All pro forma adjustments are tax affected based on the appropriate rate for the specific item.
- (3) Minority interest is reduced to eliminate the ownership interest of the former shareholders of BLH.
- (4) Common shares outstanding are increased to reflect the shares of Conseco common stock issued in the Merger.
- (5) Notes payable of BLH are reclassified as notes payable of Conseco, since BLH is now wholly owned by Conseco.
- (6) Common stock and additional paid-in capital is increased by the value
of Conseco common stock issued in the Merger.

End of Filing

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