

CNO FINANCIAL GROUP, INC.

FORM 8-K (Current report filing)

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Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
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Sector	Financial
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 28, 2009

CONSECO, INC.

(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of organization)	001-31792 ----- (Commission File Number)	75-3108137 ----- (I.R.S. Employer Identification No.)
11825 North Pennsylvania Street Carmel, Indiana ----- (Address of principal executive offices)		46032 ----- (Zip Code)

(317) 817-6100

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address,
if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 28, 2009, Conseco Inc. (the "Company") issued a press release announcing its preliminary financial results for the quarter ended June 30, 2009, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information contained in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01(d). Financial Statements and Exhibits.

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

99.1 Press release dated July 28, 2009 related to preliminary financial results for the quarter ended June 30, 2009.

SIGNATURES

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

CONSECO, INC.

July 28, 2009

By: */s/ John R. Kline*

John R. Kline
Senior Vice President and
Chief Accounting Officer

NEWS

For Release Immediate

Contacts (News Media) Tony Zehnder, Corporate Communications 312.396.7086 (Investors) Scott Galovic, Investor Relations 317.817.3228

Conseco announces preliminary second quarter 2009 results; Expects second consecutive profitable quarter

Carmel, Ind. July 28, 2009 - Conseco, Inc. (NYSE: CNO) today announced preliminary results for second quarter of 2009.

"Conseco, on a preliminary basis, and consistent with its first quarter performance, expects to report continued profitability in the second quarter," CEO Jim Prieur said. "Also consistent with our expectations was an increase in second quarter earnings over the seasonally weak first quarter by our Bankers Life business, which also had a 6 percent increase over 2008 in core sales for the quarter," Prieur said, adding that, "we are issuing preliminary results in an effort to provide timely information to the investment community."

All financial results described in this press release should be considered preliminary and are subject to change to reflect any adjustments that are identified before the Company completes its financial statements and files its Quarterly Report on Form 10-Q for the quarter-ended June 30, 2009.

The Company expects to release its final second quarter 2009 results on August 4, 2009.

Preliminary Second Quarter 2009 Results

- o \$86.7 million of income before net realized investment losses, corporate interest and taxes ("EBIT") (1), up 47%, compared to \$59.0 million in 2Q08
- o Net operating income (2) of \$40.8 million, up 62%, compared to \$25.2 million in 2Q08
- o Net operating income per diluted share: 22 cents, up 69%, compared to 13 cents in 2Q08
- o Net income in the range of \$15.8 million to \$27.8 million, compared to a net loss of \$488.5 million in 2Q08 (including net realized investment losses in the range of \$13.0 million to \$25.0 million in 2Q09 vs. \$513.7 million of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in 2Q08)
- o Net income per diluted share in the range of 9 cents to 15 cents, compared to a net loss per diluted share of \$2.65 in 2Q08 (including net realized investment losses in the range of 7 cents to 13 cents in 2Q09 vs. \$2.78 of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in 2Q08)
- o Total New Annualized Premium ("NAP") excluding Private-Fee-For-Service ("PFFS") (3): \$91.8 million, down 1% from 2Q08
- o Bankers NAP excluding PFFS (3): \$63.1 million, up 6 percent from 2Q08
- o PFFS NAP (sold through a marketing agreement with Coventry): \$6.3 million in 2Q09 compared to \$(6.8) million in 2Q08 (4), reflecting a change in sales recognition policy

Preliminary Six-Month 2009 Results

- o \$159.0 million of EBIT (1), up 47%, compared to \$108.4 million in the first six months of 2008
- o Net operating income (2) of \$72.2 million, up 59%, compared to \$45.3 million in the first six months of 2008
- o Net operating income per diluted share: 39 cents, up 56%, compared to 25 cents in the first six months of 2008
- o Net income in the range of \$40.3 million to \$52.3 million, compared to a net loss of \$495.7 million in the first six months of 2008 (including net realized investment losses in the range of \$19.9 million to \$31.9 million in the first six months of 2009 vs. \$541.0 million of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in the first six months of 2008)

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Conseco (2) July 28, 2009

- o Net income per diluted share in the range of 22 cents to 28 cents, compared to a net loss per diluted share of \$2.68 in the first six months of 2008 (including net realized investment losses in the range of 11 cents to 17 cents in the first six months of 2009 vs. \$2.93 of net realized investment losses, valuation allowance for deferred tax assets and losses related to discontinued operations in the first six months of 2008)
- o Total NAP excluding PFFS (3): \$179.3 million, up 1% from the first six months of 2008
- o Bankers NAP excluding PFFS (3): \$123.5 million, up 7 percent from the first six months of 2008
- o PFFS NAP (4): \$40.3 million, down 30 percent, from the first six months of 2008 reflecting changes in consumer preference

Preliminary Financial Strength at June 30, 2009 Conseco's financial statements are expected to show compliance, as of June 30, 2009, with all covenants in its credit agreement including those related to combined insurance subsidiary capital, the combined risk-based capital ratio of its insurance subsidiaries, the Company's debt to capital ratio and the Company's interest coverage ratio. The combined risk-based capital ratio is expected to increase by 10 to 15 percentage points to 240 to 245 percent at June 30, 2009. The improved ratio reflects: (i) a 29 percentage point increase resulting from the actions by the National Association of Insurance Commissioners to modify the mortgage experience adjustment factor described in our Form 8-K dated June 22, 2009; (ii) an approximate 12 to 14 percentage point increase due to the preliminary second quarter statutory income; and (iii) an approximate 27 to 30 percentage point decrease due to preliminary losses, valuation changes and security downgrades related to the Company's investment portfolio.

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Preliminary Operating Results

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

	Three Months Ended June 30,	
	2009	2008
	-----	-----
EBIT (1):		
Bankers Life.....	\$ 63.3	\$ 34.6
Colonial Penn.....	11.0	8.3
Conseco Insurance Group.....	21.2	32.3
Corporate Operations, excluding corporate interest expense.....	(8.8)	(16.2)
	-----	-----
EBIT.....	86.7	59.0
Corporate interest expense.....	(23.9)	(16.1)
	-----	-----
Income before net realized investment losses, taxes and discontinued operations.....	62.8	42.9
Tax expense on period income.....	22.0	17.7
	-----	-----
Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations.....	40.8	25.2
Net realized investment losses (excluding the increase in unrealized losses on those investments transferred to an independent trust and net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses).....	(25.0) - (13.0) (5)	(17.4)
	-----	-----
Net income before valuation allowance for deferred tax assets and discontinued operations.....	15.8 - 27.8	7.8
Valuation allowance for deferred tax assets (excluding the establishment of a valuation allowance for realized investment losses and discontinued operations)	-	(298.0)
Discontinued operations.....	-	(198.3)
	-----	-----
Net income (loss) applicable to common stock.....	\$15.8 - \$27.8	\$(488.5)
	=====	=====
Per diluted share:		
Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations.....	\$.22	\$.13
Net realized investment losses, net of related amortization and taxes.....	(.13) - (.07)	(.09)
Valuation allowance for deferred tax assets.....	-	(1.61)
Discontinued operations.....	-	(1.08)
	-----	-----
Net income (loss).....	\$.09 - \$.15	\$(2.65)
	=====	=====

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Preliminary Segment Results

In our Bankers Life segment, pre-tax operating earnings were \$63.3 million in the second quarter of 2009, up 83%, compared to \$34.6 million in the second quarter of 2008. Results for the second quarter of 2009 were primarily affected by:

- an increase in earnings of approximately \$18 million from the long-term care block resulting from the release of liabilities for insurance products on lapsed policies and policy owner elected benefit reductions following recent rate increase actions, partially offset by an increase in incurred claims;
- an increase in earnings of approximately \$7 million from Medicare supplement products resulting from lower benefit ratios due to decreased morbidity and lower amortization of insurance intangibles due to decreased policy lapses; and
- an increase in earnings of approximately \$7 million related to the Company-owned life insurance policies which were purchased to fund the segment's deferred compensation plan for certain agents (such variance resulted from a \$3 million death benefit recognized as income in the second quarter of 2009 and an increase in the estimated fair value of investments underlying such policies in the second quarter of 2009).

In our Colonial Penn segment, the pre-tax operating earnings were \$11.0 million in the second quarter of 2009, up 33%, compared to \$8.3 million in the second quarter of 2008. Results for the second quarter of 2009 were primarily affected by the recognition of a \$3 million final distribution and commutation amount following the termination of a group insurance pool that Colonial Penn previously participated in.

In our Conseco Insurance Group segment, pre-tax operating earnings were \$21.2 million in the second quarter of 2009, down 34%, compared to \$32.3 million in the second quarter of 2008. Results for the second quarter of 2009 were primarily affected by:

- a reduction in earnings of approximately \$7 million from the annuity block primarily due to additional amortization expenses resulting from: (i) increased surrenders of certain equity-indexed products with market value adjustment features (which have the effect of reducing related surrender charges); and (ii) changes in our estimates of future surrenders of these products;
- an increase in earnings of approximately \$8 million from life products primarily due to: (i) improved mortality experience; and (ii) a reduction in the amortization of insurance intangibles resulting from increased expected future profitability of the block (a change in the mix of the inforce business due to recent lapses has changed the future expected projected profits);
- a reduction in earnings of approximately \$7 million from specified disease products primarily resulting from an increase in the benefit ratio driven by higher incurred claims; and
- a reduction in earnings of approximately \$5 million from long-term care products primarily resulting from an increase in the interest-adjusted benefit ratio due to higher claim expenses.

The Corporate Operations segment includes our investment advisory subsidiary and corporate expenses. The second quarter of 2008 reflects a \$9.6 million charge related to the consolidation of our Chicago facilities.

Corporate interest expense reflects both the higher interest rate paid on debt following the amendment to our credit facility in the first quarter of 2009, and Conseco's higher average debt outstanding.

Preliminary Investments Results

During the second quarter of 2009, accumulated other comprehensive loss is expected to improve by approximately \$0.8 billion to approximately \$(1.1) billion, reflecting the net increase in the estimated fair value of our actively managed fixed maturity investments.

Conseco is expected to recognize net realized investment losses in the second quarter of 2009 in the range of \$13 million to \$25 million (net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses). Such net realized investment losses include no tax benefit, as it is more likely than not that tax benefits related to investment losses recognized in the second quarter of 2009 will not be utilized to offset future taxable income.

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Sales Results

At Bankers Life (career distribution), total NAP in 2Q09 was \$69.4 million, up 30% from 2Q08 (NAP, excluding PFFS, was \$63.1 million, up 6 percent from 2Q08).

In addition to the sales of proprietary products, Bankers Life, through a partnership with Coventry, distributes Medicare PDP and PFFS plans through Bankers career agents. Coventry has decided to cease selling PFFS plans effective January 1, 2010. On July 22, 2009, the Company announced a strategic alliance under which the Bankers Life segment will offer Humana's Medicare Advantage plans to its policyholders and consumers nationwide through its career agency force and will receive marketing fees based on sales. Effective January 1, 2010, the Company will no longer be assuming the underwriting risk related to PFFS business.

At Colonial Penn (direct distribution), total NAP was \$10.6 million, down 24% from 2Q08.

At Conseco Insurance Group (independent distribution), total NAP was \$18.1 million, down 0.5% from 2Q08 as sales continue to be repositioned to more profitable products.

Accounting Matters

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

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

Final Results and Conference Call

The company expects to release its final second quarter 2009 results on August 4, 2009 and host a conference call to discuss results on August 5, 2009 at 10:00 a.m. Eastern Daylight Time.

About Conseco

Conseco, Inc.'s insurance companies help protect working American families /and seniors from financial adversity: Medicare supplement, long-term care, cancer, critical illness and accident policies protect people against major unplanned expenses; annuities and life insurance products help people plan for their financial futures. For more information, visit Conseco's web site at www.conseco.com.

(1) Management believes that an analysis of earnings or loss before net realized investment gains (losses), discontinued operations, corporate interest and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (i) corporate interest expense; and (ii) net realized investment gains (losses) that are unrelated to the company's underlying fundamentals. In addition, 2Q08 earnings exclude the discontinued operations resulting from the transfer of Senior Health Insurance Company of Pennsylvania (the "Transfer") to an independent trust. A reconciliation of EBIT to Net Income applicable to common stock is provided in the tables on pages 3 and 7.

(2) Management believes that an analysis of Net income (loss) applicable to common stock before net realized investment gains or losses, discontinued operations, net of related amortization and income taxes, ("Net Operating Income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the company's underlying fundamentals. A reconciliation of Net Operating Income to Net Income applicable to common stock is provided in the tables on pages 3 and 7. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor - SEC Filings" section of Conseco's website, www.conseco.com.

(3) Measured by new annualized premium, which includes 6% of annuity and 10% of single premium whole life deposits and 100% of all other premiums, PDP sales equal \$210 per enrolled policy (\$200 in 2008), PFFS sales equal \$2,320 per enrolled policy (\$2,250 in 2008).

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(4) PFFS NAP in 2Q08 reflected significant charge backs of prior period premiums for sales that were ultimately canceled. In 2009, we implemented a more conservative sales recognition policy in an effort to avoid these effects in the future. Effective January 1, 2010, we will no longer be assuming PFFS business. On July 22, 2009, we announced a strategic alliance under which the Bankers Life segment will offer Humana's Medicare Advantage plans to its policyholders and consumers nationwide through their career agency force.

(5) Such net realized investment losses include no tax benefit, as it is more likely than not that tax benefits related to investment losses recognized in the three and six months ended June 30, 2009, will not be utilized to offset future taxable income.

Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in this press release relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect our ability to raise capital or refinance existing indebtedness and the cost of doing so; (ii) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (iii) our ability to generate sufficient liquidity to meet our debt service obligations and other cash needs; (iv) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (v) the receipt of required regulatory approvals for dividend and surplus debenture interest payments from our insurance subsidiaries; (vi) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (vii) changes in our assumptions related to the cost of policies produced or the value of policies in force at the effective date of our emergence from bankruptcy; (viii) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (ix) changes in accounting principles and the interpretation thereof; (x) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems, (xi) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (xii) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (xiii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xiv) our ability to complete the remediation of the material weakness in internal controls over our actuarial reporting process and to maintain effective controls over financial reporting; (xv) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xvi) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of ratings downgrades on our business; (xvii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xviii) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends and surplus debenture interest to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; and (xix) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

- Tables Follow -

Preliminary Operating Results

Results by segment for the six months ended June 30 were as follows (\$ in millions, except per share data):

	Six Months Ended June 30,	
	2009	2008
	-----	-----
EBIT (1):		
Bankers Life.....	\$108.0	\$ 63.7
Colonial Penn.....	16.1	12.0
Conseco Insurance Group.....	52.4	55.6
Corporate Operations, excluding corporate interest expense.....	(17.5)	(22.9)
	-----	-----
EBIT.....	159.0	108.4
Corporate interest expense.....	(37.6)	(34.6)
Expenses related to debt modification.....	(9.5)	-
	-----	-----
Income before net realized investment losses, taxes and discontinued operations.....	111.9	73.8
Tax expense on period income.....	39.7	28.5
	-----	-----
Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations.....	72.2	45.3
Net realized investment losses (excluding the increase in unrealized losses on those investments transferred to an independent trust and net of related amortization and taxes and the establishment of a valuation allowance for deferred tax assets related to such losses).....	(31.9) - (19.9) (5)	(45.2)
	-----	-----
Net income before valuation allowance for deferred tax assets and discontinued operations.....	40.3 - 52.3	.1
Valuation allowance for deferred tax assets (excluding the establishment of a valuation allowance for realized investment losses and discontinued operations)	-	(298.0)
Discontinued operations.....	-	(197.8)
	-----	-----
Net income (loss) applicable to common stock.....	\$40.3 - \$52.3 =====	\$(495.7) =====
Per diluted share:		
Net income before net realized investment losses, valuation allowance for deferred tax assets and discontinued operations.....	\$.39	\$.25
Net realized investment losses, net of related amortization and taxes.....	(.17) - (.11)	(.25)
Valuation allowance for deferred tax assets.....	-	(1.61)
Discontinued operations.....	-	(1.07)
	-----	-----
Net income (loss).....	\$.22 - \$.28 =====	\$(2.68) =====

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

	Three months ended June 30,	
	2009	2008
Bankers Life segment:		
Annuity.....	\$275.4	\$261.1
Supplemental health.....	422.0	470.8
Life.....	55.3	53.8
	\$752.7	\$785.7
	=====	=====
Colonial Penn segment:		
Life.....	\$ 45.8	\$ 43.8
Supplemental health.....	2.1	2.3
	\$ 47.9	\$ 46.1
	=====	=====
Conseco Insurance Group segment:		
Annuity.....	\$ 22.3	\$ 37.1
Supplemental health.....	149.3	153.2
Life.....	62.4	66.9
	\$234.0	\$257.2
	=====	=====

PRELIMINARY BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

	Three Months Ended June 30,	
	2009	2008
Bankers Life segment:		
Medicare Supplement:		
Earned premium.....	\$166 million	\$158 million
Benefit ratio(a).....	68.6%	71.3%
PDP and PFFS:		
Earned premium.....	\$119 million	\$172 million
Benefit ratio(a).....	94.3%	94.0%
Long-Term Care:		
Earned premium.....	\$152 million	\$156 million
Benefit ratio(a).....	103.2%	114.7%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	66.4%	81.4%
Conseco Insurance Group (CIG) segment:		
Medicare Supplement:		
Earned premium.....	\$46 million	\$51 million
Benefit ratio(a).....	71.2%	71.9%
Specified Disease:		
Earned premium.....	\$95 million	\$92 million
Benefit ratio(a).....	83.3%	80.4%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	49.7%	46.7%
Long-Term Care:		
Earned premium.....	\$8 million	\$9 million
Benefit ratio(a).....	182.2%	133.8%
Interest-adjusted benefit ratio (a non-GAAP measure)(b).....	103.1%	57.0%

(a) The benefit ratio is calculated by dividing the related product's insurance policy benefits by insurance policy income.

(b) The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor - SEC Filings" section of Conseco's website, www.conseco.com.

