# CNO FINANCIAL GROUP, INC.

## FORM 8-K
(Current report filing)

Filed 03/17/08 for the Period Ending 12/31/07

| | |
|---|---|
| Address | 11825 N PENNSYLVANIA ST<br>CARMEL, IN 46032 |
| Telephone | 3178176100 |
| CIK | 0001224608 |
| Symbol | CNO |
| SIC Code | 6321 - Accident and Health Insurance |
| Industry | Insurance (Life) |
| Sector | Financial |
| Fiscal Year | 12/31 |

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

# FORM 8-K

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): March 17, 2008

# CONSECO, INC.
(Exact name of registrant as specified in its charter)

| Delaware | 001-31792 | 75-3108137 |
|---|---|---|
| (State or other jurisdiction of organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 11825 North Pennsylvania Street<br>Carmel, Indiana | 46032 |
|---|---|
| (Address of principal executive offices) | (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 March 17, 2008, the Company issued: (i) a press release announcing preliminary financial results for the quarter and year ended December 31, 2007, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference; and (ii) additional preliminary financial information related to the Company's financial and operating results for the quarter and year ended December 31, 2007, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The information contained under Item 2.02 in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information contained in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

**Item 7.01. Regulation FD Disclosure.**

On March 17, 2008, the Company announced that it had declined a request from Steel Partners II, L.P. to nominate two of its representatives to the Company's board of directors and announced that the Company has been reviewing strategic alternatives and has engaged Morgan Stanley as its strategic advisor. A copy of the Company's press release is filed as Exhibit 99.3 to this Current Report on Form 8-K.

**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 March 17, 2008 related to preliminary financial results for the quarter and year ended December 31, 2007.

99.2 Fourth Quarter 2007 Preliminary Financial and Operating Results for the period ended December 31, 2007.

99.3 Press release dated March 17, 2008.

## 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.**

March 17, 2008

*By: /s/ John R. Kline*
*---*
*John R. Kline*
*Senior Vice President and*
*Chief Accounting Officer*

Exhibit 99.1

**NEWS**

**For Release Immediate**

Contacts (News Media) Tony Zehnder, Corporate Communications 317.817.4418 (Investors) Scott Galovic, Investor Relations 317.817.3228

# Conseco Reports Preliminary Fourth Quarter and Year-End Results

Carmel, Ind., March 17, 2008 - Conseco, Inc. (NYSE: CNO) today reported preliminary results for the fourth quarter and year ended December 31, 2007.

"Overall, we continue to make steady progress on our plans to position Conseco for future growth," CEO Jim Prieur said. "New business continues to be strong at Bankers and at Colonial Penn, and the expected future margins related to new business increased at Conseco Insurance Group despite declining sales. Asset quality has remained a high priority and our portfolio continues to perform within expectations. This is not to say that we are not without our challenges. We will continue to move forward with our strategies to further stabilize our long-term care closed block of business and fully remediate the material weakness in internal controls."

Preliminary results subject to change
As previously announced, the Company has been consulting with the staff of the SEC's Office of the Chief Accountant (the "SEC staff") regarding its accounting policy for long-term care premium rate increases, as described in the Summary of Significant Accounting Policies in Conseco's 2006 Form 10-K. As previously disclosed, Conseco has used a method which prospectively changes reserve assumptions for long-term care policies when premium rate increases differ from original assumptions. On February 28, 2008, the SEC staff informed Conseco of their view that the use of this method is not consistent with the guidance of Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises." The Company is continuing to evaluate the SEC staff's view, including its effects on the preliminary earnings reported herein and the possible effects in prior periods. Due to this ongoing evaluation, the Company has not completed its financial statements for the year ended December 31, 2007. As a result, all financial results described in this press release should be considered preliminary, and are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and files its Form 10-K for the year ended December 31, 2007.

"The delay in completing our financial statements is as frustrating for management as it is for shareholders. There is no difference in the economics of the long-term care business arising from the SEC's position; no changes at all in the cash flows or capital requirements - it is all about the timing of the recognition of earnings for a long term business," said Jim Prieur.

Preliminary fourth quarter 2007 results:
o Net operating income (1) before valuation allowance for deferred tax assets: $18.8 million
o Net operating income before valuation allowance for deferred tax assets per diluted share: 10 cents
o Net loss applicable to common stock: $72.2 million (including $23.0 million of net realized investment losses and $68.0 million valuation allowance for deferred tax assets)
o Net loss per diluted share: 39 cents (including 12 cents of net realized investment losses and 37 cents of valuation allowance for deferred tax assets)
o Income before net realized investment losses, corporate interest and taxes ("EBIT") (2): $51.6 million
o Sales (3): $87.3 million

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Preliminary full-year 2007 results:
o Net operating loss (1) before valuation allowance for deferred tax assets: $50.2 million
o Net operating loss before valuation allowance for deferred tax assets per diluted share: 37 cents
o Net loss applicable to common stock: $210.1 million (including $77.8 million of net realized investment losses and $68.0 million valuation allowance for deferred tax assets)
o Net loss per diluted share: $1.21 (including 45 cents of net realized investment losses and 39 cents of valuation allowance for deferred tax assets)
o EBIT (2): $(6.3) million
o Sales (3): $415.5 million

Preliminary financial strength at December 31, 2007:
o Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was $24.28
o Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 21.0%

The Company currently estimates that adjustments to reflect the SEC staff's view may have the effect of reducing the preliminary loss reported above for the fourth quarter of 2007 by up to $5 million (or 3 cents per share) and reducing the preliminary loss for the year ended December 31, 2007 by up to $15 million (or 9 cents per share). The Company is working diligently to complete its financial statements and Form 10-K for the year ended December 31, 2007, as soon as possible (expected to be no later than March 28, 2008).

As announced in the Company's February 25, 2008 press release, due to the significance of errors identified in completing the December 31, 2007 financial statements (the majority of which were identified during the procedures performed in an effort to remediate the material weakness in internal controls disclosed in its 2006 Form 10-K and subsequent quarterly filings with the SEC), Conseco will restate its financial statements for the years ended December 31, 2006 and 2005, along with affected selected financial data for 2004 and 2003 and the first three quarters of 2007. Therefore, the previously issued financial statements of the Company for those periods should no longer be relied upon.

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

| | Three Months Ended December 31, 2007 | Year Ended December 31, 2007 |
|---|---|---|
| EBIT (2), excluding costs related to a litigation settlement and loss related to a coinsurance transaction: | | |
| Bankers Life | $ 58.3 | $ 233.0 |
| Conseco Insurance Group | 7.7 | 102.7 |
| Colonial Penn | (.2) | 18.1 |
| Other Business in Run-off | (11.3) | (202.4) |
| Corporate Operations, excluding corporate interest expense | (2.9) | (16.8) |
| EBIT, excluding costs related to a litigation settlement and loss related to a coinsurance transaction | 51.6 | 134.6 |
| Costs related to a litigation settlement | - | (64.4) |
| Loss related to a coinsurance transaction | - | (76.5) |
| Total EBIT | 51.6 | (6.3) |
| Corporate interest expense | (19.1) | (72.3) |
| Income (loss) before net realized investment losses and taxes | 32.5 | (78.6) |
| Tax expense (benefit) on period income | 13.7 | (28.4) |
| Income (loss) before net realized investment losses and valuation allowance for deferred tax assets | 18.8 | (50.2) |
| Valuation allowance for deferred tax assets | 68.0 | 68.0 |
| Net loss before net realized investment losses | (49.2) | (118.2) |
| Preferred stock dividends: | | |
| 5.50% Class B mandatorily convertible preferred stock | - | (14.1) |
| Net operating loss | (49.2) | (132.3) |
| Net realized investment losses, net of related amortization and taxes | (23.0) | (77.8) |
| Net loss applicable to common stock | $(72.2) | $(210.1) |
| Per diluted share: | | |
| Net operating income (loss) before valuation allowance for deferred tax assets | $ .10 | $ (.37) |
| Valuation allowance for deferred tax assets | (.37) | (.39) |
| Net operating loss | (.27) | (.76) |
| Net realized investment losses, net of related amortization and taxes | (.12) | (.45) |
| Net loss applicable to common stock | $(.39) | $(1.21) |

In the fourth quarter of 2007, several items had noteworthy impacts on our results:
o Earnings in the Conseco Insurance Group segment were negatively affected by the adjustments we made to our estimates of future profits for certain interest-sensitive life blocks of business. These adjustments resulted in increases to amortization expense and policyholder benefits totaling approximately $17 million.
o Earnings in the Conseco Insurance Group segment were also negatively affected by $4.2 million of trading losses related to the termination of interest rate swap agreements held in our trading portfolio.
o Earnings in the Colonial Penn segment were negatively impacted by $8.4 million of expense related to the introduction of Medicare Advantage products through this distribution channel.
o Based on our evaluation of deferred tax assets, we determined the need to increase the valuation allowance by $68.0 million (primarily related to tax benefits resulting from the losses recognized in 2007).
o We recognized net realized investment losses of $23.0 million, including losses related to impairments of $16.1 million.

Sales results
At Bankers Life (career distribution), total sales in 4Q07 were $58.3 million, up 4% over 4Q06. For the year, Bankers' sales were up 10% from 2006, to $294.4 million. In addition to the sales of proprietary products, Bankers Life, through a partnership with Coventry Health Care, distributes risk-share Medicare prescription drug program (PDP) and private-fee-for-service plan (PFFS) through their career agents.

At Conseco Insurance Group (independent distribution), total sales, including sales of PDP through Coventry, in 4Q07 were $19.7 million, down 18% from 4Q06. For the year, sales fell 21% from 2006, to $78.8 million. This segment continues to focus sales efforts on higher-margin products.

At Colonial Penn (direct distribution), total 4Q07 sales were $9.3 million, up 25% over 4Q06 as we continue to benefit from our investment in marketing. For the year, sales rose 27% over 2006, to $42.3 million.

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Conference Call
The company will host a conference call to discuss results at 1:00 p.m. Eastern Daylight Time on March 17, 2008. The webcast can be accessed through the Investors section of the company's website as follows:
http://investor.conseco.com. Listeners should go to the website at least 15 minutes before the event to register and download any necessary audio software. During the call, we will be referring to a presentation that will be available Monday morning through the investors section of the company's website.

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

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(1) Management believes that an analysis of Net Income (Loss) applicable to common stock before net realized investment gains or losses, net of related amortization and income taxes, ("Net Operating Income," a non-GAAP financial measure) is important to evaluate the financial performance of the company, and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the company's underlying fundamentals. A reconciliation of Net Operating Income to Net Income applicable to common stock is provided in the table on page 2. Additional information concerning this non-GAAP measure is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor - SEC Filings" section of Conseco's website, www.conseco.com.
(2) Management believes that an analysis of earnings or loss before net realized investment gains (losses), corporate interest and taxes ("EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (i) corporate interest expense; and (ii) net realized investment gains (losses) that are unrelated to the company's underlying fundamentals. A reconciliation of EBIT to Net Income applicable to common stock is provided in the table on page 2.
(3) 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 $310 per enrolled policy, PFFS sales equal $2,100 per enrolled policy.
(4) The calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments. The corresponding GAAP measures for debt-to-total capital and book value per common share were 22.1% and $22.80, respectively, at December 31, 2007.

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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) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (ii) mortality, morbidity, 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; (iii) changes in our assumptions related to the cost of policies produced or the value of policies inforce at the Effective Date; (iv) the recoverability of our deferred tax asset; (v) changes in accounting principles and the interpretation thereof; (vi) 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; (vii) performance of our investments; (viii) 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; (ix) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (x) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (xi) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xii) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xiii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xiv) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends 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; (xv) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) our ability to sell products and access capital on acceptable terms, the returns on and the market value of our investments, and the lapse rate and profitability of policies; and (xvi) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products.

Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

**- Tables Follow -**

**CONSECO, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEET DATA - Preliminary (see note)**
(Dollars in millions)

| | December 31, 2007 |
|---|---|
| ASSETS | |
| Investments: | |
| Actively managed fixed maturities at fair value (amortized cost: December 31, 2007 - $20,992.7) | $20,510.9 |
| Equity securities at fair value (cost: December 31, 2007 - $34.0) | 34.5 |
| Mortgage loans | 2,086.0 |
| Policy loans | 370.4 |
| Trading securities | 665.8 |
| Other invested assets | 134.3 |
| Total investments | 23,801.9 |
| Cash and cash equivalents | 428.6 |
| Accrued investment income | 319.3 |
| Value of policies inforce at the Effective Date | 1,734.1 |
| Cost of policies produced | 1,423.0 |
| Reinsurance receivables | 3,592.8 |
| Income tax assets, net | 1,923.8 |
| Assets held in separate accounts | 27.4 |
| Other assets | 289.6 |
| Total assets | $33,540.5 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Liabilities: | |
| Liabilities for insurance products | $26,713.0 |
| Other liabilities | 510.0 |
| Investment borrowings | 913.0 |
| Notes payable - direct corporate obligations | 1,193.7 |
| Total liabilities | 29,329.7 |
| Commitments and Contingencies | |
| Shareholders' equity: | |
| Common stock ($0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: December 31, 2007 - 184,652,017) | 1.9 |
| Additional paid-in capital | 4,068.6 |
| Accumulated other comprehensive loss | (273.3) |
| Retained earnings | 413.6 |
| Total shareholders' equity | 4,210.8 |
| Total liabilities and shareholders' equity | $33,540.5 |

Note: This preliminary consolidated balance sheet data is subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and Form 10-K for the year ended December 31, 2007.

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**CONSECO, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF OPERATIONS DATA - Preliminary (see note)**
(Dollars in millions, except per share data)

| | Three months ended December 31, 2007 | Year ended December 31, 2007 |
|---|---|---|
| Revenues: | | |
| Insurance policy income | $ 814.7 | $3,167.3 |
| Net investment income | 333.5 | 1,536.6 |
| Net realized investment losses | (36.6) | (155.4) |
| Fee revenue and other income | 6.3 | 23.8 |
| Total revenues | 1,117.9 | 4,572.3 |
| Benefits and expenses: | | |
| Insurance policy benefits | 804.9 | 3,453.8 |
| Interest expense | 32.5 | 117.3 |
| Amortization | 127.2 | 454.5 |
| Costs related to a litigation settlement | - | 64.4 |
| Loss related to an annuity coinsurance transaction | - | 76.5 |
| Other operating costs and expenses | 156.2 | 604.1 |
| Total benefits and expenses | 1,120.8 | 4,770.6 |
| Loss before income taxes | (2.9) | (198.3) |
| Income tax expense (benefit): | | |
| Tax expense (benefit) on period income | 1.3 | (70.3) |
| Valuation allowance for deferred tax assets | 68.0 | 68.0 |
| Net loss | (72.2) | (196.0) |
| Preferred stock dividends | - | 14.1 |
| Net loss applicable to common stock | $ (72.2) | $ (210.1) |
| Loss per common share: | | |
| Basic: | | |
| Weighted average shares outstanding | 185,687,000 | 173,374,000 |
| Net loss | $ (.39) | $ (1.21) |
| Diluted: | | |
| Weighted average shares outstanding | 185,687,000 | 173,374,000 |
| Net loss | $ (.39) | $ (1.21) |

Note: These preliminary results are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and Form 10-K for the year ended December 31, 2007.

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

| | Three months ended December 31, 2007 | Year ended December 31, 2007 |
|---|---|---|
| Bankers Life segment: | | |
| Annuity | $221.9 | $ 885.5 |
| Supplemental health | 420.4 | 1,546.1 |
| Life | 50.7 | 200.0 |
| Total collected premiums | $693.0 | $2,631.6 |
| Conseco Insurance Group segment: | | |
| Annuity | $ 58.0 | $ 368.6 |
| Supplemental health | 147.2 | 594.4 |
| Life | 68.8 | 287.3 |
| Total collected premiums | $274.0 | $1,250.3 |
| Colonial Penn segment: | | |
| Life | $31.7 | $113.7 |
| Supplemental health | 2.5 | 10.4 |
| Total collected premiums | $34.2 | $124.1 |
| Other Business in Run-off segment: | | |
| Long-term care | $74.4 | $305.8 |
| Major medical | .6 | 2.3 |
| Total collected premiums | $75.0 | $308.1 |

## BENEFIT RATIOS ON MAJOR SUPPLEMENTAL HEALTH LINES OF BUSINESS

- Preliminary (see note)

| | Three months ended December 31, 2007 | Year ended December 31, 2007 |
|---|---|---|
| Bankers Life segment: | | |
| Medicare Supplement: | | |
| Earned premium | $159 million | $644 million |
| Benefit ratio(a) | 67.6% | 67.2% |
| PDP and PFFS: | | |
| Earned premium | $90 million | $271 million |
| Benefit ratio(a) | 83.6% | 85.1% |
| Long-Term Care: | | |
| Earned premium | $156 million | $621 million |
| Benefit ratio(a) | 102.3% | 102.6% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b) | 70.2% | 71.4% |
| Conseco Insurance Group (CIG) segment: | | |
| Medicare Supplement: | | |
| Earned premium | $55 million | $231 million |
| Benefit ratio(a) | 66.0% | 67.6% |
| Specified Disease: | | |
| Earned premium | $89 million | $359 million |
| Benefit ratio(a) | 80.6% | 77.8% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b) | 46.5% | 44.7% |
| Other Business in Run-off segment: | | |
| Earned premium | $77 million | $312 million |
| Benefit ratio(a) | 148.3% | 194.0% |
| Interest-adjusted benefit ratio (a non-GAAP measure)(b) | 83.9% | 132.8% |

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(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.

Note: These preliminary benefit ratios are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and Form 10-K for the year ended December 31, 2007.

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CONSECO®

# Preliminary View of Fourth Quarter 2007

**Financial and Operating Results**

**Conseco, Inc.**

# Forward-Looking Statements

**Cautionary Statement Regarding Forward-Looking Statements.** Our statements, trend analyses and other information contained in these materials relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other ''forward-looking'' information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (ii) mortality, morbidity, 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; (iii) changes in our assumptions related to the cost of policies produced or the value of policies inforce at the Effective Date; (iv) the recoverability of our deferred tax asset; (v) changes in accounting principles and the interpretation thereof; (vi) 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; (vii) performance of our investments; (viii) 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; (ix) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (x) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (xi) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xii) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xiii) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xiv) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends 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; (xv) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) our ability to sell products and access capital on acceptable terms, the returns on and the market value of our investments, and the lapse rate and profitability of policies; and (xvi) 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.

# Preliminary Results

As previously announced, the Company has been consulting with the staff of the SEC's Office of the Chief Accountant (the "SEC staff") regarding its accounting policy for long-term care premium rate increases, as described in the Summary of Significant Accounting Policies in Conseco's 2006 Form 10-K. As previously disclosed, Conseco has used a method which prospectively changes reserve assumptions for long-term care policies when premium rate increases differ from original assumptions. On February 28, 2008, the SEC staff informed Conseco of their view that the use of this method is not consistent with the guidance of Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises." The Company is continuing to evaluate the SEC staff's view, including its effects on the preliminary earnings reported herein and the possible effects in prior periods. Due to this ongoing evaluation, the Company has not completed its financial statements for the year ended December 31, 2007. As a result, all financial results described herein should be considered preliminary, and are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and files its Form 10-K for the year ended December 31, 2007.

# Non-GAAP Measures

This presentation contains the following financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP): operating earnings measures; and earnings before net realized investment gains (losses). Reconciliations between those non-GAAP measures and the comparable GAAP measures are included in the Appendix or the page such measure is presented.

While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered substitutes for the most directly comparable GAAP measures.

Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Conseco's website, www.conseco.com.

# Q4 2007
# Preliminary Financial Summary CNO

- **BLC and CP continue to have strong results**
- **CP results negatively impacted by cost of expanding product line with PFFS**
- **CIG results negatively affected by unlocking adjustment in interest-sensitive life block and other non-recurring adjustments**
- **LTC Closed Block: second stable quarter as a result of Q2 2007 reserve strengthening; approaching breakeven**
- **No change in net NOL for 2007, nor in earnings outlook; deferred tax valuation allowance increased by $68 million as a result of 2007 operating and capital losses**
- **Share repurchases**
  - Q4 2007: $22.9 million (1.7 million shares at average of $13.29/share)

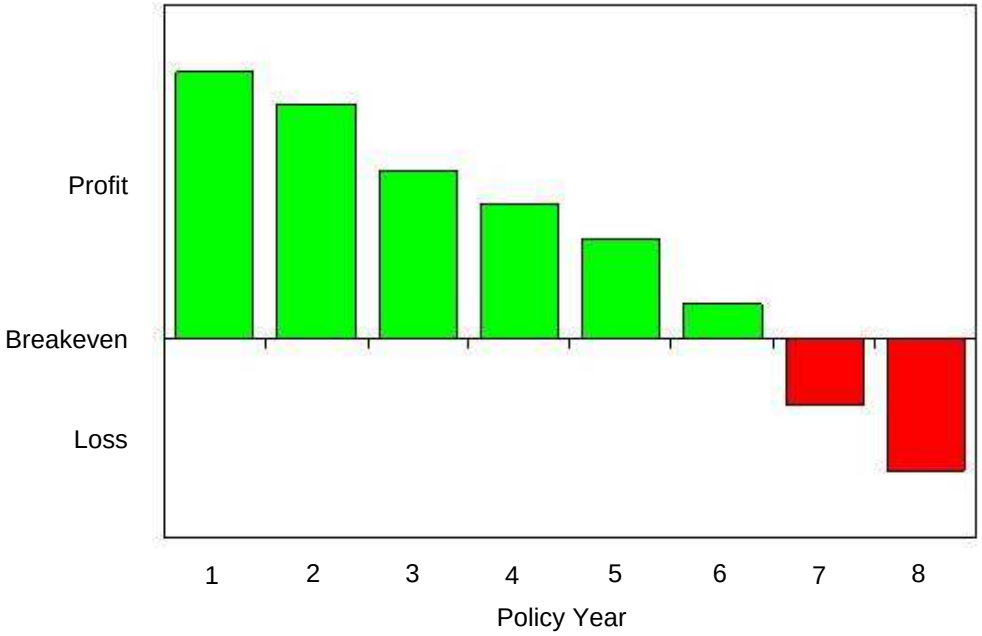
# Q4 2007
# Summary of Other Issues CNO

- **Financial Statement Status**
  - Resolution outstanding on accounting for long-term care future loss reserves
  - Form 10-K will be filed as soon as practical (no later than 3/28)
- **Long-Term Care Reserves**
  - Overall reserve adequacy (Gross Premium Valuation is positive)
  - Prospective unlocking: reserve pivot
    - Relates to additional Active Life Reserves which were set up corresponding to LTC rate increases
    - SEC staff has indicated that pivoting is not consistent with FAS 60
    - Affected Bankers LTC for 2006 and 2007, and LTC Closed Block for 2007
    - Adjustments have been made back to 2006 as part of restatement
  - Future loss reserves under FAS 60 Paragraph 37
    - No impact on underlying economics
    - Impact relates to incidence of profits over the life of the business
    - The combination of releasing the previously established pivot reserve and recognition of a future loss reserve is expected to be marginally accretive to our earnings
    - The Company currently estimates that adjustments to reflect the SEC staff's view may have the effect of reducing the preliminary loss reported for Q4 2007 by up to $5 million (or 3 cents per share)

# Before Effect of Future Loss Reserve

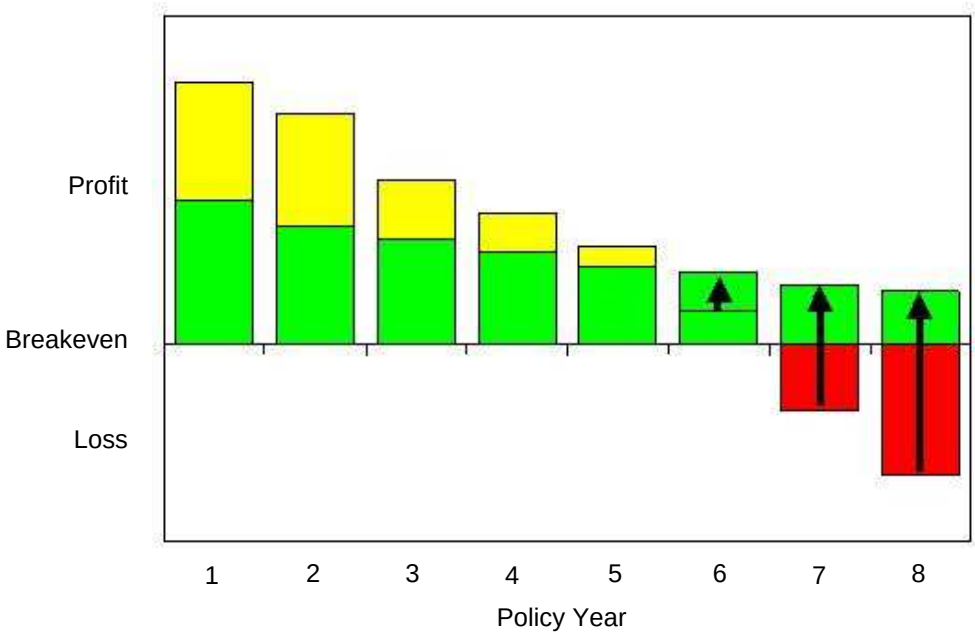
# CNO

**Illustrative Example**



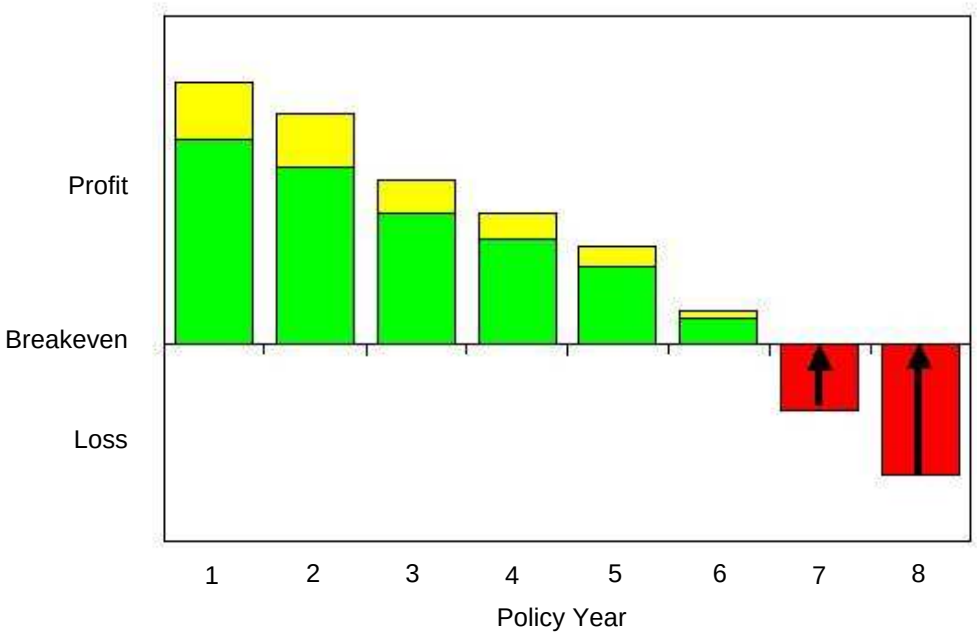
# Pivoting CNO

**Illustrative Example**



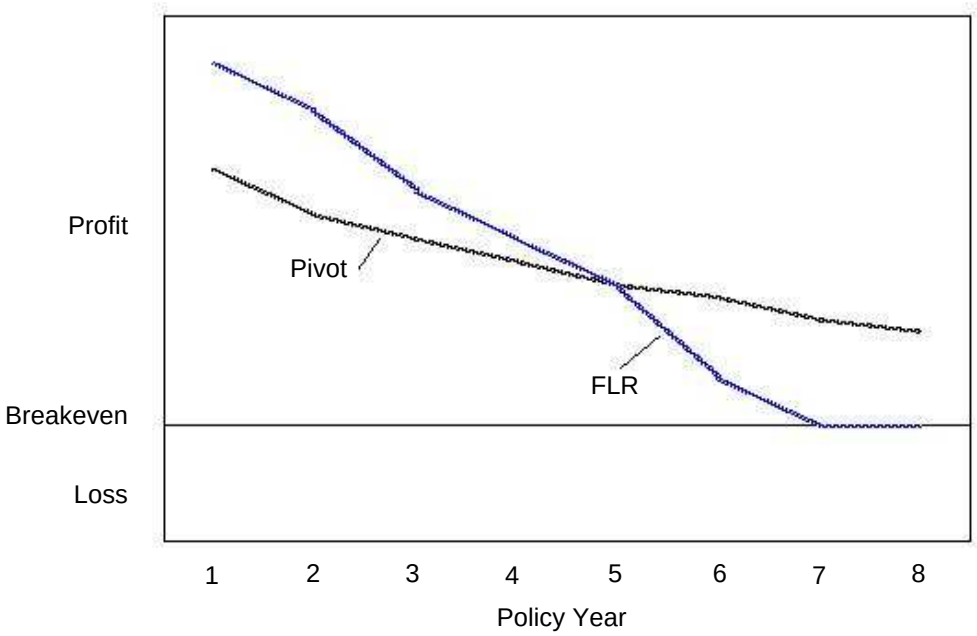
# After Effect of
# Future Loss Reserve CNO

**Illustrative Example**



# Pivot vs Future Loss Reserve CNO

**Illustrative Example**



# Q4 2007
# Summary of Other Issues (cont.) CNO

- **Remediation**
  - Material control weakness first disclosed in 2006 Form 10-K
  - 2007 plan has been completed, plus additional items from scope expansion
  - Examined more than 2,400 policy forms: Specified Disease, LTC, Life
  - Adjustments have been pushed back to corresponding periods with restatement
  - 2008 focus on sustainable, systematic control improvements
- **Restatement**
  - Annual financial statements for 2005 and 2006
  - Quarterly financial information for 2006 and 2007
  - Selected consolidated financial data for 2003 and 2004
  - Primarily based upon the cumulative impact of errors identified in 2007 during the procedures performed in an effort to remediate the material internal control weakness
  - Will provide a better basis for comparisons between periods

# Q4 2007
# Preliminary Summary of Results CNO

| ($ millions, except per share amounts) | Pre-Tax | After Tax ** | EPS ** |
|---|---|---|---|
| Bankers Life* | $58.3 | | |
| Colonial Penn | (0.2) | | |
| Conseco Insurance Group | 7.7 | | |
| LTC Closed Block* | (11.3) | | |
| Corporate and interest expense | (22.0) | | |
| Income before net realized investment losses*** | 32.5 | $(49.2) | $(0.27) |
| Net realized investment losses | (35.4) | (23.0) | (0.12) |
| Total* | $(2.9) | $(72.2) | $(0.39) |
| Earnings before net realized investment losses and valuation allowance for deferred tax assets, per diluted share (a non-GAAP measure)**** | | | $0.10 |

*Pending finalization of future loss reserves under FAS 60 Paragraph 37. The Company currently estimates that adjustments to reflect the SEC staff's view may have the effect of reducing the preliminary loss reported for Q4 2007 by up to $5 million (or 3 cents per share).

**Income tax expense includes $68 million ($0.37 per share) increase in deferred tax valuation allowance.

***Management believes that an analysis of earnings before net realized investment gains (losses) and taxes (a non-GAAP financial measure) provides an alternative measure of the operating results of the company because it excludes net realized gains (losses) that are unrelated to the company's underlying fundamentals. The chart above provides a reconciliation to the corresponding GAAP measure.

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

# 2007 Full Year
# Preliminary Summary of Results CNO

| ($ millions, except per share amounts) | Pre-Tax | After Tax ** | EPS ** |
|---|---|---|---|
| Bankers Life* | $233.0 | | |
| Colonial Penn | 18.1 | | |
| Conseco Insurance Group | 102.7 | | |
| LTC Closed Block* | (202.4) | | |
| Corporate and interest expense | (89.1) | | |
| Cost related to litigation settlement | (64.4) | | |
| Loss related to coinsurance transaction | (76.5) | | |
| Income before net realized investment losses*** | (78.6) | $(132.3) | $(0.76) |
| Net realized investment losses | (119.7) | (77.8) | (0.45) |
| Total* | $(198.3) | $(210.1) | $(1.21) |
| Net operating income before: (1) refinements to a litigation settlement; (2) a Q3 2007 charge related to a coinsurance transaction; and (3) the Q4 2007 valuation allowance for deferred tax assets per diluted share (a non-GAAP measure)**** | | | $0.16 |

*Pending finalization of future loss reserves under FAS 60 Paragraph 37. The Company currently estimates that adjustments to reflect the SEC staff's view may have the effect of reducing the preliminary loss reported for the year ended December 31, 2007 by up to $15 million (or 9 cents per share).

**Income tax expense includes $68 million ($0.39 per share) increase in deferred tax valuation allowance.

***Management believes that an analysis of earnings before net realized investment gains (losses) and taxes (a non-GAAP financial measure) provides an alternative measure of the operating results of the company because its excludes net realized gains (losses) that are unrelated to the company's underlying fundamentals. The chart above provides a reconciliation to the corresponding GAAP measure.

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

# Preliminary Financial Indicators CNO

- **Consolidated RBC ratio**
  - 296% at 12/31/07 vs 357% at 12/31/06
- **Investments**
  - $362.7 million of investment income in Q4 2007
  - Earned yield of 5.95% in Q4 2007
  - 94% of bonds investment grade at 12/31/07*
- **Corporate liquidity**
  - Available holding company liquidity exceeds $90 million at 12/31/07; plus $80 million revolver

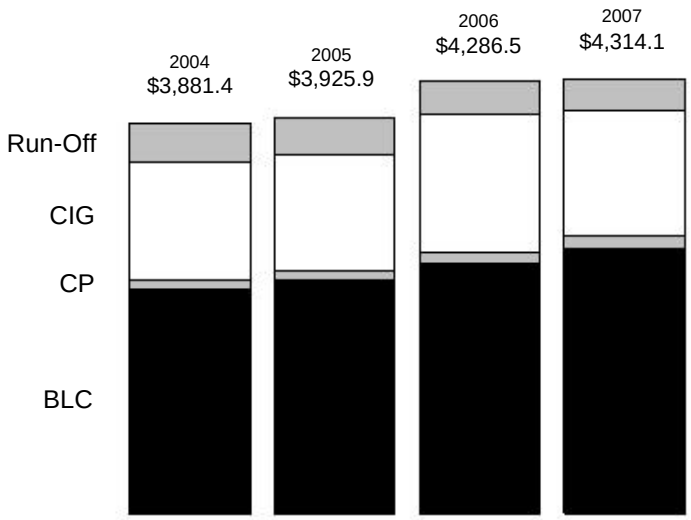
*Excludes investments from consolidated variable interest entity.

# Collected Premiums

# CNO

($ millions)

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



# Summary Bankers

- **Q4 2007 New Annualized Premium (NAP) of $58.3 million, 4% above Q4 2006, total year NAP up 10%**
- **Earnings driven by improved spreads and higher PDP/PFFS income**
- **Effective July 1, 2007, entered into a quota-share reinsurance agreement related to certain group PFFS business sold by Coventry**
  - Adding $2.0 million of pretax earnings quarterly
- **LTC premium re-rates (as of 3/6/08):**
  - Submitted: $45.6 million (100% of goal)
  - Approved: $20.1 million (63% of goal)
  - Implemented: $19.4 million (61% of goal)
  - Financial impact: $16.5 million (60% of goal)

# 2007 Strong Distribution Results: Growth in Key Metrics

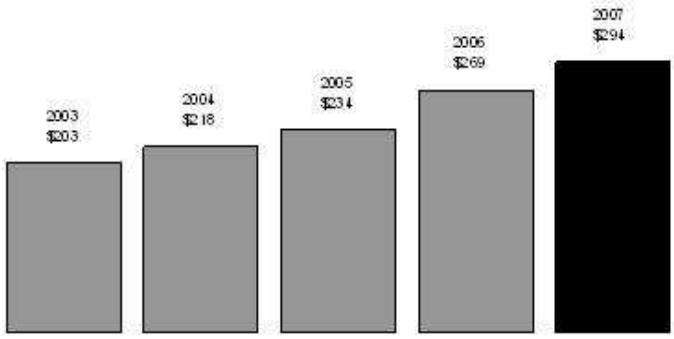
## Bankers

- **$294 million NAP = 10% growth**
  - Strong Med Advantage and Life sales
  - Flat LTC
  - Lower Med Supp and Annuities
- **Improved agent productivity while growing quantity**
  - 4,480 agents at 12/31/07, up 10% vs 12/31/06
  - 13% growth in new agent contracts
  - $67,000 average agent production = 4% growth

# NAP Growth: 2003-2007 Bankers

($ millions)

- **10% compound annual growth since 2003**
  - Annual NAP up $90 million during period
  - Increases driven by agent productivity and growth plus new product offerings (primarily Life/PDP/PFFS)



## Summary Colonial Penn

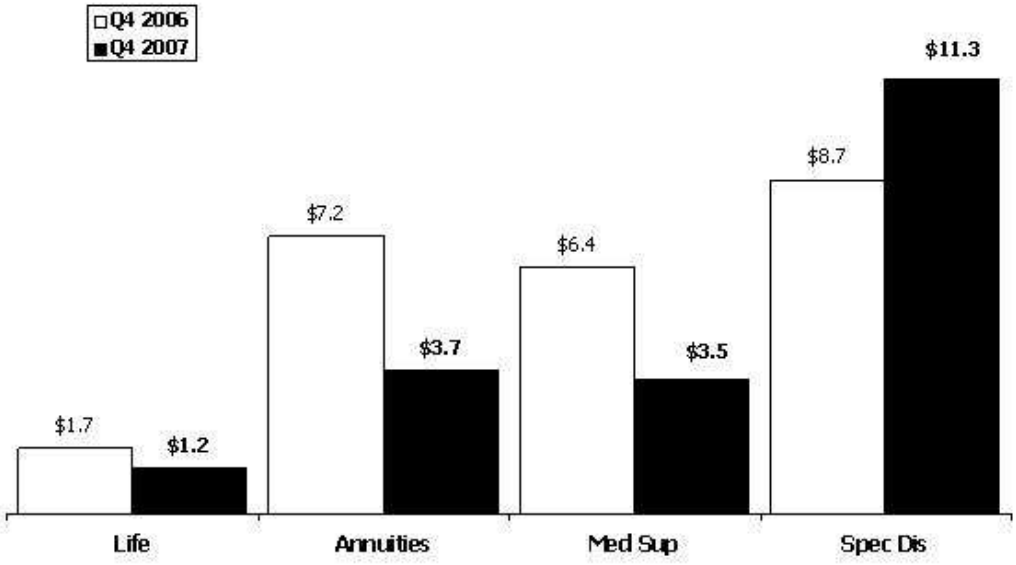
- **Q4 2007 NAP of $9.3 million, 25% above Q4 2006, total year NAP up 27%**
- **Expanded product line into PFFS market in Q4 2007**
  - $8.4 million of expenses charged to income
- **Agreement to recapture block of life insurance business previously reinsured, effective 10/1/07**
  - Recapture fee (purchase price): $63 million
  - Immediately accretive to income and ROE

# Summary CIG

- **Q4 2007 NAP of $19.7 million, 18% less than Q4 2006, total year NAP down 21%**
  - Decreases in Medicare supplement and annuities, consistent with CIG's focus on more profitable business
  - Higher value from new business compared to Q4 2006 and full year 2006, despite lower sales
  - Strong sales gains in specified disease, up 30% from Q4 2006 and full year 2006
- **Q4 2007 earnings driven by:**
  - Unlocking adjustments on the interest-sensitive life block of business
  - Slight increase in benefit ratios on health products
  - Loss of annuity profits from block coinsured in October 2007
  - Lower expenses

# NAP: Q4 2006 vs Q4 2007 CIG

($ millions)



## Summary LTC Closed Block

- **Significant reserve strengthening in Q2 2007 has stabilized results**
- **Active rate management, improved claims-paying practices and expense efficiency improvements have contributed to reduced losses**
- **Earnings are approaching breakeven**
- **Migration to LTCG system and processes on track**

# Verified Incurred Development*

# LTC Closed Block

| ($ millions) | Developed Deficiencies in Periods Prior to 2004 | 2004 | 2005 | 2006 | Q1 2007 | Q2 2007 | Q3 2007 | Q4 2007 |
|---|---|---|---|---|---|---|---|---|
| **Reported Claims** | $0.0 | $370.8 | $396.0 | $433.3 | $119.7 | $212.0 | $100.7 | $104.7 |
| **Prior Period Development** | 0 | (44.2) | (58.9) | (72.2) | (34.9) | (109.7) | 3.3 | 1.8 |
| **Verified Claims as of Reporting Date** | 0 | 326.6 | 337.2 | 361.1 | 84.7 | 102.3 | 104.0 | 106.5 |
| **Verified Claims Developed through:** | | | | | | | | |
| **12/31/04** | 44.2 | 326.6 | | | | | | |
| **12/31/05** | 103.7 | 326.0 | 337.2 | | | | | |
| **12/31/06** | 136.4 | 337.7 | 365.0 | 361.1 | | | | |
| **3/31/07** | 147.1 | 344.2 | 368.8 | 375.1 | 84.7 | | | |
| **6/30/07** | 161.4 | 356.5 | 389.2 | 418.3 | 104.2 | 102.3 | | |
| **9/30/07** | 162.3 | 356.6 | 388.7 | 414.4 | 103.6 | 103.0 | 104.0 | |
| **12/31/07** | 165.0 | 356.6 | 391.0 | 412.2 | 106.3 | 107.1 | 102.3 | 106.5 |

- Q2 2007 claims reserving actions generated stability in Q3 and Q4 2007:
  - Favorable prior-period development continues
  - Verified claims for all periods stable

*Excludes waiver-of-premium and return-of-premium benefits.

# Operating Data LTC Closed Block

| | Q4 2005 | Q1 2006 | Q2 2006 | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 | Q4 2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Claims Paid (mils.)** | $83.1 | $90.4 | $101.2 | $96.1 | $81.64 | $102.0 | $96.8 | $99.1 | $104.9 |
| **Open Claimant Counts** | 12,290 | 11,805 | 12,536 | 12,228 | 12,048 | 11,870 | 12,424 | 12,121 | 12,338 |
| **In Force Policy Counts** | 201,649 | 197,585 | 194,080 | 190,134 | 187,123 | 183,655 | 179,952 | 175,685 | 172,222 |
| **Ann. Termination Rates** | 2.3% | 7.8% | 6.9% | 7.9% | 6.2% | 7.2% | 7.8% | 8.9% | 7.7% |

- Increase in claims paid in Q4 2007 driven by inventory reduction
- Claimant count estimates remain around 12,000, with paid claims continuing near $100 million
- Q3 2007 termination rate reflects prior-period deaths and terminations

# Premium Re-rates (as of 3/13/08) LTC Closed Block

- **Round 1 - exceeded each goal:**
  - Re-rates submitted: $64.0 million (115% of goal)
  - Re-rates approved: $45.8 million (110% of goal)
  - Re-rates implemented: $44.4 million (106% of goal)
  - Re-rates financial impact: $37.3 million (106% of goal)
- **Round 2 – on track to achieve goals:**
  - Re-rates submitted: $41.8 million (98% of goal)
  - Re-rates approved: $16.7 million (65% of goal)
  - Re-rates implemented: $13.5 million (53% of goal)
  - Re-rates financial impact: $10.8 million (52% of goal)

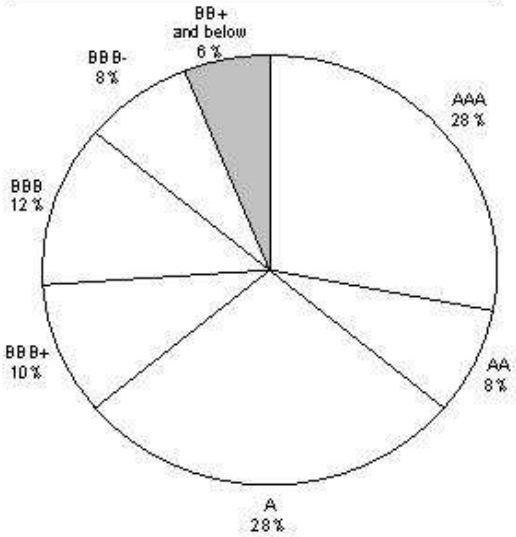
# What We Have Left to Do LTC Closed Block

- **Continue working within the regulatory environment to achieve equitable and actuarially justified rate increases**
- **Continue progress on claims-paying improvements and expense efficiencies**
- **Reduce future exposure and volatility of this block**

# Investment Quality* CNO

- **Below-investment grade securities represent 6% of total portfolio**
- **Limited new money allocation to below-investment grade securities**

Actively Managed Fixed Maturities by Rating at 12/31/07 (Market Value)

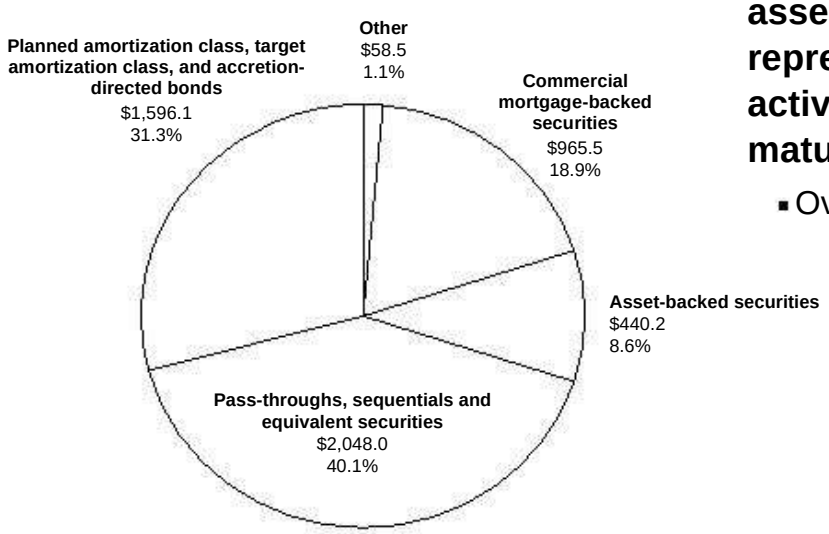



| | 12/31/06 | 3/31/07 | 6/30/07 | 9/30/07 | 12/31/07 |
|---|---|---|---|---|---|
| % of Bonds which are Investment Grade: | 95% | 95% | 94% | 94% | 94% |

*Consistent with prior quarters' presentations, excludes investments from variable interest entity we are required to consolidate for GAAP financial reporting (such assets and the related liabilities are legally separated)

# Structured Securities at 12/31/07 CNO

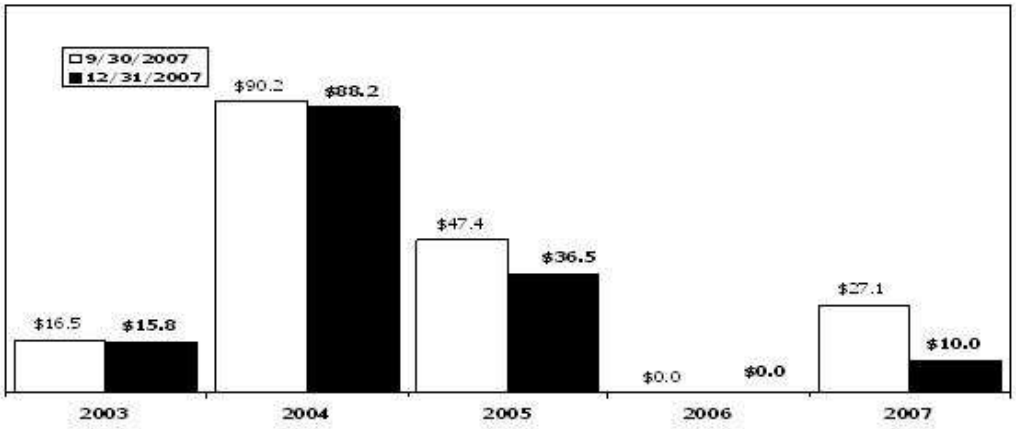
(Market value in millions)




- **Structured securities and asset-backed securities represent 25% of total actively managed fixed maturity securities**
  - Over 88% “AAA” rated

# Sub-Prime Home Equity ABS CNO

**Exposure by Vintage Year (Book Value in millions)**




- Market value represents 0.52% of invested assets at 12/31/07, compared to 0.57% at 9/30/07 and 0.70% at 12/31/06
- Reduced sub-prime exposure by over 17% during Q4 2007, including 63% of 2007 vintage, and over 51% during 2007
- Reduction of exposure in Q4 2007 reflects dispositions of $28.3 million and writedowns of $10.4 million for securities held at year-end

# Sub-Prime Home Equity ABS at 12/31/07

# CNO

| Rating | Market Value (mil.) | Book Value (mil.) | % of Subprime* | Avg. FICO | Avg. Support | Avg. 60+ Delinq. | % of Portfolio* |
|---|---|---|---|---|---|---|---|
| **AAA** | $39.9 | $42.5 | 32.4% | 646 | 41.6% | 9.2% | 0.17% |
| **AA** | $40.8 | $48.9 | 33.1% | 641 | 28.6% | 9.0% | 0.17% |
| **A** | $41.9 | $58.6 | 34.0% | 643 | 19.4% | 7.1% | 0.18% |
| **BBB** | $0.5 | $0.5 | 0.5% | 664 | 44.8% | 23.6% | 0.00% |
| **Total** | $123.1 | $150.5 | 100.0% | 643 | 28.7% | 8.4% | 0.52% |

- No exposure to “affordability products” – negative amortization, option ARM collateral, etc.
- Only $0.5 million (market value) rated lower than A category
- Current support in structures meets original expectations
- Remaining portfolio generally reflects substantial margin for adverse development of cash flows/delinquencies

*% of market value.

# Sub-Prime Home Equity ABS and Structured Credit

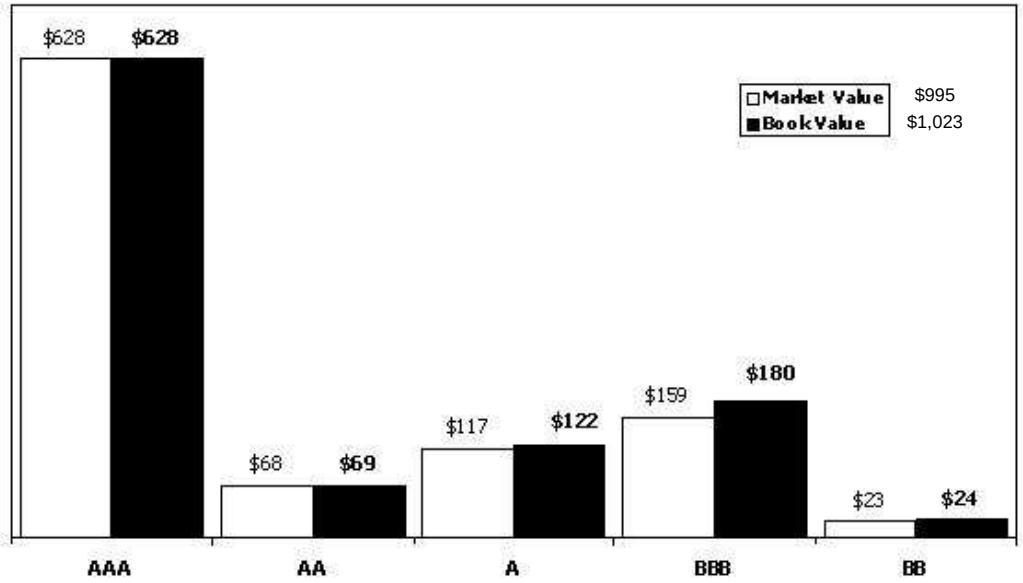
CNO

- No ABS CDO investments
- No hedge fund investments
- No “mark to model” structured securities
- No NIM securities
- No CDO Squared Investments
- Nominal (<$10 million par) third-party CLO/structured credit exposure
- Highly developed cashflow and default analytic models, along with rigorous management oversight processes

# CMBS Exposure Summary at 12/31/07

# CNO

**Exposure by Rating Category (in millions)**



# CNO Recap

- **Core businesses**
  - Bankers Life and Colonial Penn – continued strong results, focused on profitable growth
  - CIG
    - Greater focus on distinctive capabilities
    - Producing more economic value from refocused sales efforts
- **Run-off LTC block**
  - Claims reserve volatility reduced
  - Run rate losses per quarter, trending toward breakeven
  - Continued progress on turnaround, increasingly visible
  - Stage being set to pursue reduction in LTC exposure

# CNO Recap (cont.)

- **Changing the portfolios of the business**
  - Annuity coinsurance deal with Swiss Re closed; released capital from low-return business
  - Recapture of Colonial Penn life block from Swiss Re; higher-return core business for CNO
- **Operations**
  - Bulk of organizational realignment completed
  - Remaining real estate realignment (Chicago) to occur in Q2 2008 – expect to record pre-tax loss of approximately $15 million

# Q4 2007
# Normalization of Preliminary Earnings CNO

($ millions)

| | BLC | CP | CIG | LTC Run-Off | Corp. | Consol. |
|---|---|---|---|---|---|---|
| Q4 2007 pre-tax income (loss) – as reported* | $58.3 | $(0.2) | $7.7 | $(11.3) | $(22.0) | $32.5 |
| Loss on termination of interest-rate swaps | - | - | 4.2 | - | - | 4.2 |
| Cost of initial marketing of PFFS product through direct distribution channel | - | 8.4 | - | - | - | 8.4 |
| Excess expense related to consolidation of operations | - | - | 3.3 | - | - | 3.3 |
| Unlocking adjustments on interest-sensitive life | - | - | 17.0 | - | - | 17.0 |
| Other non-recurring | - | - | 1.4 | - | - | 1.4 |
| Q4 2007 pre-tax income (loss) - adjusted | $58.3 | $8.2 | $33.6 | $(11.3) | $(22.0) | $66.8 |

- **Factors impacting 2008**
  - Expense savings
    - Vacating Mart
    - Operations consolidation
  - LTC re-rates

*Refer to page 11 for a reconciliation to the corresponding GAAP measure.

# Next Steps/Expectations

- **Complete evaluation and calculation of future loss reserves**
- **Filing of 10-K**
- **Full earnings release call and investor deck presentation**

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# Questions and Answers

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# Appendix

# Information Related to Certain Non-GAAP Financial Measures

The following provides additional information regarding certain non-GAAP measures used in this presentation. A non-GAAP measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered as substitutes for the most directly comparable GAAP measures. Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investor – SEC Filings" section of Conseco's website, www.conseco.com.

Operating earnings measures

Management believes that an analysis of net income applicable to common stock before net realized gains or losses ("net operating income", a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized investment gains or losses can be affected by events that are unrelated to the Company's underlying fundamentals.

In addition, our results were affected by unusual and significant charges related to: (i) a litigation settlement in Q2 2006 and refinements to such estimates recognized in subsequent periods; (ii) a Q3 2007 charge related to a coinsurance transaction; and (iii) a Q4 2007 valuation allowance for deferred tax assets. Management does not believe that similar charges are likely to recur within two years, and there were no similar charges recognized within the prior two years. Management believes an analysis of operating earnings before these charges is important to evaluate the performance of the Company prior to the effect of these unusual and significant charges.

# Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income applicable to common stock to the net operating income, excluding: (i) Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods; (ii) a Q3 2007 charge related to a coinsurance transaction; and (iii) a Q4 2007 valuation allowance for deferred tax assets (and related per share amounts) is as follows (dollars in millions, except per share amounts):

| | Q4 2007 | YTD 2007 |
|---|---|---|
| **Net loss applicable to common stock** | $ (72.2) | $ (210.1) |
| Net realized investment losses, net of related amortization and taxes | 23.0 | 77.8 |
| **Net operating loss (a non-GAAP financial measure)** | (49.2) | (132.3) |
| Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods, net of taxes | - | 41.9 |
| Q3 2007 charge related to a coinsurance transaction, net of taxes | - | 49.7 |
| Q4 2007 valuation allowance for deferred tax assets | 68.0 | 68.0 |
| **Net operating income before: (i) Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods; (ii) a Q3 2007 charge related to a coinsurance transaction; and (iii) a Q4 2007 valuation allowance for deferred tax assets (a non-GAAP financial measure)** | $ 18.8 | $ 27.3 |
| **Per diluted share:** | | |
| **Net loss** | $ (0.39) | $ (1.21) |
| Net realized investment losses, net of related amortization and taxes | 0.12 | 0.45 |
| **Net operating loss (a non-GAAP financial measure)** | (0.27) | (0.76) |
| Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods, net of taxes | - | 0.24 |
| Q3 2007 charge related to a coinsurance transaction, net of taxes | - | 0.29 |
| Q4 2007 valuation allowance for deferred tax assets | 0.37 | 0.39 |
| **Net operating income before: (i) Q2 2006 charge related to the litigation settlement and refinements to such estimates recognized in subsequent periods; (ii) a Q3 2007 charge related to a coinsurance transaction; and (iii) a Q4 2007 valuation allowance for deferred tax assets (a non-GAAP financial measure)** | $ 0.10 | $ 0.16 |

Exhibit 99.3

**NEWS**

**For Release Immediate**

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Conseco Declines Partnership's Request for Board Seats; Review of Strategic Alternatives Underway

Carmel, Ind., March 17, 2008: Conseco Inc. (NYSE: CNO) today announced that it is declining a request from Steel Partners II, L.P. to nominate two of its representatives to Conseco's board of directors. Conseco also announced that it has been reviewing strategic alternatives and has engaged the investment banking firm of Morgan Stanley as its strategic advisor.

Conseco CEO Jim Prieur said, "We share with Steel Partners, as well as our other shareholders, a common interest in taking actions that will increase the value of the company for shareholders. In that regard, we have been working with a major investment bank for several months regarding strategic alternatives and plans to maximize shareholder value for Conseco. We believe, and hope Steel Partners would concur, that we already are exploring courses of action suggested by them."

Steel Partners President Jack L. Howard asked Conseco on March 14 to nominate himself and Chief Executive Warren G. Lichtenstein to the board of directors. Steel Partners said their intention was to work with the company to engage an investment bank to assist Conseco in exploring alternatives to maximize shareholder value.

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

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