CONSECO INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/96 for the Period Ending 09/30/96

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

CONSECO INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/1996 For Period Ending 9/30/1996

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

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

Form 10-Q

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

For the quarterly period ended September 30, 1996

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

For the transition period from ______ to _____

Commission File Number 1-9250

Conseco, Inc.

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

11825 N. Pennsylvania Street Carmel, Indiana 46032	(317) 817-6100
Address of principal executive offices	Telephone

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

Shares of common stock outstanding as of November 1, 1996: 66,995,311

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS

	September 30, 1996 (unaudited)	December 31, 1995 (audited)
Investments:		
Actively managed fixed maturity securities at fair value (amortized cost: 1996 - $16,138.0; 1995 - $12,355.1)	$15,959.8	$12,963.3
Equity securities at fair value (cost: 1996 - $104.6; 1995 - $34.6)	104.2	36.6
Mortgage loans	372.5	339.9
Credit-tenant loans	393.8	259.1
Policy loans	526.0	307.6
Other invested assets	211.0	91.2
Short-term investments	212.3	189.9
Assets held in separate accounts	300.4	227.0
Total investments	18,080.0	14,414.6
Accrued investment income	276.7	207.8
Cost of policies purchased	1,847.1	1,030.7
Cost of policies produced	541.0	391.0
Reinsurance receivables	400.6	84.8
Income taxes	138.9	-
Goodwill (net of accumulated amortization: 1996 - $71.9; 1995 - $48.0)	1,524.7	894.1
Property and equipment (net of accumulated depreciation: 1996 - $58.6; 1995 - $36.3)	105.9	88.7
Securities segregated for the future redemption of redeemable preferred stock of a subsidiary	45.0	39.2
Other assets	216.1	146.6
Total assets	$23,176.0	$17,297.5

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, continued
(Dollars in millions)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1996 (unaudited)	December 31, 1995 (audited)
Liabilities:		
Insurance liabilities	$18,150.7	$13,378.4
Income tax liabilities	-	93.3
Investment borrowings	539.4	298.1
Other liabilities	482.0	329.6
Liabilities related to separate accounts	300.1	227.0
Notes payable of Conseco	1,169.0	871.4
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1	301.5
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0	283.2
Total liabilities	21,072.3	15,782.5
Minority interest	147.8	403.3
Shareholders' equity:		
Preferred stock	267.1	283.5
Common stock and additional paid-in capital, no par value, 500,000,000 shares authorized, shares issued and outstanding: 1996 - 66,967,921; 1995 - 40,515,914	1,054.5	157.2
Unrealized appreciation (depreciation) of securities:		
Fixed maturity securities (net of applicable deferred income taxes: 1996 - $(27.0); 1995 - $66.8)	(46.7)	112.6
Other investments (net of applicable deferred income taxes: 1996 - $(.1); 1995 - $.1)	(.3)	.1
Retained earnings	681.3	558.3
Total shareholders' equity	1,955.9	1,111.7
Total liabilities and shareholders' equity	$23,176.0	$17,297.5

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

CONSECO, INC. AND SUBSIDIARIES

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

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
Revenues:				
Insurance policy income	$451.8	$373.1	$1,193.2	$1,103.3
Investment activity:				
Net investment income	364.8	293.6	926.7	850.5
Net trading income (losses)	.8	(3.2)	(6.5)	2.8
Net realized gains	6.1	3.3	16.3	77.8
Fee revenue	9.6	8.0	29.7	23.6
Restructuring income	-	-	30.4	-
Other income	1.2	1.9	8.8	8.1
Total revenues	834.3	676.7	2,198.6	2,066.1
Benefits and expenses:				
Insurance policy benefits	313.8	268.7	858.3	814.8
Change in future policy benefits	3.9	15.2	15.9	28.4
Interest expense on annuities and financial products	184.7	150.3	474.4	432.8
Interest expense on notes payable	30.4	31.5	84.6	83.9
Interest expense on investment borrowings	6.5	5.7	15.1	19.2
Amortization related to operations	74.6	53.8	174.1	158.3
Amortization related to realized gains	3.3	1.2	15.6	44.6
Other operating costs and expenses	85.6	66.7	207.6	198.2
Total benefits and expenses	702.8	593.1	1,845.6	1,780.2
Income before income taxes, minority interest and extraordinary charge	131.5	83.6	353.0	285.9
Income tax expense	49.8	21.1	134.1	34.3
Income before minority interest and extraordinary charge	81.7	62.5	218.9	251.6
Minority interest	2.4	19.0	25.8	83.8
Income before extraordinary charge	79.3	43.5	193.1	167.8
Extraordinary charge on extinguishment of debt, net of taxes and minority interest	1.2	-	18.6	-

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

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

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
Net income	78.1	43.5	174.5	167.8
Less preferred stock dividends	5.5	4.6	22.7	13.8
Net income applicable to common stock	$72.6	$38.9	$151.8	$154.0
Earnings per common share and common equivalent share:				
Primary:				
Weighted average shares outstanding	71,586,000	42,798,000	57,945,000	43,034,000
Net income before extraordinary charge	$1.10	$.91	$3.16	$3.58
Extraordinary charge	.02	-	.32	-
Net income	$1.08	$.91	$2.84	$3.58
Fully diluted:				
Weighted average shares outstanding	79,030,000	51,726,000	67,370,000	52,056,000
Net income before extraordinary charge	$1.01	$.84	$2.87	$3.22
Extraordinary charge	.02	-	.28	-
Net income	$ .99	$.84	$2.59	$3.22

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

CONSECO, INC. AND SUBSIDIARIES

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

	Nine months ended September 30, 1996	Nine months ended September 30, 1995
Preferred stock:		
Balance, beginning of period	$ 283.5	$ 283.5
Issuance of convertible preferred stock	267.1	-
Redemption of preferred shares for cash	(.3)	-
Conversion of preferred shares into common stock	(283.2)	-
Balance, end of period	$ 267.1	$ 283.5
Common stock and additional paid-in capital:		
Balance, beginning of period	$ 157.2	$ 165.8
Amounts related to stock options and employee benefit plans	21.4	3.8
Tax benefit related to issuance of shares under employee benefit plans	18.4	.2
Amounts related to merger with Life Partners Group, Inc	586.8	-
Conversion of preferred stock into common stock	283.2	-
Cost of issuance of convertible preferred stock	(9.4)	-
Cost of shares acquired charged to common stock and additional paid-in capital	(3.1)	(15.0)
Balance, end of period	$1,054.5	$ 154.8
Unrealized appreciation (depreciation) of securities:		
Fixed maturity securities:		
Balance, beginning of period	$ 112.6	$ (137.7)
Change in unrealized appreciation (depreciation)	(159.3)	198.0
Balance, end of period	$ (46.7)	$ 60.3
Other investments:		
Balance, beginning of period	$ .1	$ (2.0)
Change in unrealized appreciation (depreciation)	(.4)	(1.6)
Balance, end of period	$ (.3)	$ (3.6)
Retained earnings:		
Balance, beginning of period	$ 558.3	$ 437.4
Net income	174.5	167.8
Cost of shares acquired charged to retained earnings	(22.9)	(77.4)
Dividends on common stock	(5.9)	(3.3)
Dividends on preferred stock	(22.7)	(13.8)
Balance, end of period	$ 681.3	$ 510.7
Total shareholders' equity	$1,955.9	$1,005.7

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

CONSECO, INC. AND SUBSIDIARIES

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

	Nine months ended September 30, 1996	1995
Cash flows from operating activities:		
Net income	$ 174.5	$ 167.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	190.7	209.6
Income taxes	(4.4)	(66.4)
Insurance liabilities	58.7	(12.7)
Interest credited to insurance liabilities	474.4	432.8
Fees charged to insurance liabilities	(158.9)	(81.3)
Accrual and amortization of investment income	(27.2)	(78.5)
Deferral of cost of policies produced	(237.0)	(215.1)
Restructuring income	(30.4)	-
Minority interest	17.3	69.7
Extraordinary charge on extinguishment of debt (before income tax)	28.6	-
Realized (gains) and trading (income) losses	(9.8)	(80.6)
Other	(34.2)	(3.5)
Net cash provided by operating activities	442.3	341.8
Cash flows from investing activities:		
Sales of investments	4,954.0	3,427.4
Maturities and redemptions	521.0	319.8
Purchases of investments	(5,852.8)	(4,351.7)
Purchase of Life Partners Group, Inc	(9.5)	-
Purchase of property and casualty insurance brokerage businesses	(12.0)	-
Purchase of additional shares of Bankers Life Holding Corporation	-	(262.4)
Purchase of additional shares of American Life Holdings, Inc	(165.0)	-
Purchase of preferred stock of American Life Holdings, Inc	(12.6)	-
Purchase of additional shares of CCP Insurance, Inc	-	(281.8)
Repurchase of equity securities by CCP Insurance, Inc	-	(44.5)
Repurchase of equity securities by Bankers Life Holding Corporation	(27.7)	(25.8)
Cash held by Life Partners Group, Inc. before consolidation	79.1	-
Cash held by CCP Insurance, Inc. before consolidation	-	123.0
Other	(56.5)	(5.2)
Net cash used by investing activities	(582.0)	(1,101.2)
Cash flows from financing activities:		
Issuance of shares related to stock options and employee benefit plans	16.3	.8
Issuance of convertible preferred stock	257.7	-
Issuance of notes payable of Conseco	394.2	770.2
Issuance of debt of subsidiaries - not direct obligations of Conseco	459.1	-
Redemption of preferred shares	(.3)	-
Payments on notes payable of Conseco	(471.6)	(294.0)
Payments on notes payable of subsidiaries - not direct obligations of Conseco	(515.9)	(31.0)
Payments to repurchase equity securities of Conseco	(21.5)	(92.4)
Investment borrowings	169.8	181.2
Deposits to insurance liabilities	1,266.5	1,378.0
Withdrawals from insurance liabilities	(1,366.4)	(1,223.7)
Dividends paid	(25.8)	(19.6)
Net cash provided by financing activities	162.1	669.5
Net increase (decrease) in short-term investments	22.4	(89.9)
Short-term investments, beginning of period	189.9	295.4
Short-term investments, end of period	$ 212.3	$ 205.5

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following notes should be read in conjunction with the notes to consolidated financial statements included in the 1995 Form 10-K of Conseco, Inc. Conseco, Inc. and its consolidated subsidiaries are collectively referred to as ("We", "Conseco" or the "Company").

BASIS OF PRESENTATION

Our unaudited consolidated financial statements as of and for the periods ended September 30, 1996 and 1995, reflect all adjustments (consisting only of normal recurring items) necessary to present fairly Conseco's financial position and results of operations on a basis consistent with that of our prior audited consolidated financial statements. We have reclassified certain amounts from the prior period to conform to the 1996 presentation. We have restated all share and per share amounts for the April 1, 1996 two-for-one stock split.

In preparing financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that significantly affect various reported amounts. For example, we use significant estimates and assumptions in calculating the cost of policies produced, the cost of policies purchased, goodwill, insurance liabilities, liabilities related to litigation, guaranty fund assessment accruals and deferred income taxes. If our future experience differs materially from these estimates and assumptions, our financial statements could be affected.

Consolidation issues. We acquired all of the common stock of CCP Insurance, Inc. ("CCP") that we did not previously own in August 1995 (the "CCP Merger"). As a result, CCP's former subsidiaries are now wholly owned by Conseco. The Company's consolidated financial statements reflect the operations of CCP on a consolidated basis effective January 1, 1995. The consolidated statement of operations for periods in 1995 prior to the acquisition has been restated to reflect the operations of CCP on a consolidated basis. Such restatement has no effect on the net income or shareholders' equity we report.

Conseco Capital Partners II, L.P. ("Partnership II") acquired American Life Holdings, Inc. ("ALH") on September 29, 1994 (the "Acquisition"). In 1996, ALH changed its name from American Life Group, Inc. (formerly The Statesman Group, Inc. prior to its name change in 1995). As a result of the Acquisition, Partnership II owned 80 percent of the outstanding shares of ALH's common stock. Because Conseco Partnership Management, Inc., a wholly owned subsidiary of Conseco, was the sole general partner of Partnership II, Conseco controlled Partnership II and ALH, even though its ownership interest was less than 50 percent. Because of this control, Conseco's consolidated financial statements are required to include the accounts of Partnership II and ALH. We accounted for the Acquisition using the purchase method of accounting. Under purchase accounting, we allocated the total purchase cost of ALH to the assets and liabilities acquired based on their fair values, with the excess of the total purchase cost over the fair value of the net assets acquired recorded as goodwill. Immediately after the Acquisition, Conseco, through its direct investment and through its equity interests in the investments made by Bankers Life Holding Corporation ("BLH"), CCP and Western National Corporation ("WNC"), had a 27 percent ownership interest in ALH.

On September 30, 1996, we completed the acquisition of all of the common shares of ALH we did not already own and Partnership II was terminated. See "Acquisition of American Life Holdings, Inc."

On August 2, 1996, we completed the acquisition of Life Partners Group, Inc. ("LPG") in a transaction pursuant to which LPG became a wholly owned subsidiary of Conseco. Accordingly, LPG's accounts are consolidated with Conseco for periods after July 1, 1996. See "Acquisition of Life Partners Group, Inc."

ADJUSTMENT TO ACTIVELY MANAGED FIXED MATURITY SECURITIES

We classify fixed maturity securities into three categories: "actively managed" and "trading account" (which we carry at estimated fair value) and "held to maturity" (which we carry at amortized cost). We did not classify any fixed maturity securities in the held to maturity or trading account categories at December 31, 1995 or September 30, 1996.

Adjustments to carry actively managed fixed maturity securities at fair value have no effect on our earnings. We record the unrealized appreciation (depreciation), net of tax and other adjustments, as adjustments to shareholders' equity. The following table summarizes the effect of these adjustments on several related balance sheet accounts at September 30, 1996.

	Balance before adjustment	Effect of fair value adjustment to actively managed fixed maturity securities	Reported amount
		(Dollars in millions)	
Actively managed fixed maturity securities	$16,138.0	$(178.2)	$15,959.8
Cost of policies purchased	1,769.6	77.5	1,847.1
Cost of policies produced	517.3	23.7	541.0
Income tax asset	111.9	27.0	138.9
Minority interest	151.1	(3.3)	147.8
Unrealized depreciation of fixed maturity securities	-	(46.7)	(46.7)

ACQUISITION OF AMERICAN LIFE HOLDINGS, INC.

On September 30, 1996, we purchased all of the common shares of ALH we did not previously own from Partnership II for $165.0 million in cash (the "ALH Transaction"). We were required to use step-basis accounting when we acquired the shares of ALH common stock in the ALH Transaction and for our previous acquisitions. As a result, the assets and liabilities of ALH included in our September 30, 1996, consolidated balance sheet represent the following combination of values: (i) the portion of ALH's net assets acquired by Conseco in the initial acquisition of ALH made by Partnership II and Conseco is valued as of September 29, 1994; (ii) the portion of ALH's net assets acquired on November 30, 1995 is valued as of that date; and (iii) the portion of ALH's net assets acquired in the ALH Transaction is valued as of September 30, 1996.

The effect of the ALH Transaction on the consolidated balance sheet as of September 30, was as follows (dollars in millions):

Cost of policies purchased	$110.0
Cost of policies produced	(88.0)
Goodwill	52.8
Notes payable	(13.8)
Minority interest	131.2
Other	(27.2)
Cash used to acquire ALH	$165.0

The Partnership II agreement provided that an additional ownership interest in ALH would be allocated to Conseco if returns to the limited partners were in excess of prescribed targets. Upon termination of Partnership II, such targets were exceeded and the additional ownership interest allocated to Conseco was recognized as follows: (i) $10.2 million, which represents our increased ownership interest in the previously reported net income of Partnership II, was recorded as a reduction of amounts that would otherwise be charged to the minority interest; and (ii) $11.1 million as restructuring income. Restructuring income in the third quarter of 1996 was offset by restructuring expenses incurred in conjunction with the consolidation of LPG's and ALH's operations with Conseco's home office operations.

Effective September 30, 1996, we made an additional capital contribution to ALH of $125.0 million (the "ALH Capital Contribution"), which was used by ALH to retire the outstanding principal amount under its senior credit facility. We recognized an extraordinary charge of $.3 million, net of taxes of $.1 million, related to such early retirement.

During the third quarter of 1996, we also purchased all shares of ALH's 1994 Series Preferred Stock we did not previously own (the "ALH Preferred Stock Purchase") for $12.6 million (the carrying value of such preferred stock).

The ALH Transaction, the ALH Capital Contribution, and the ALH Preferred Stock Purchase were financed with: (i) $50.0 million of borrowings under our Credit Agreement; (ii) $100.0 million proceeds from a new bridge loan facility;
(iii) $140.0 million of borrowings under BLH's revolving credit facility; and
(iv) available cash (see "Changes in Notes Payable"). After these transactions, Conseco and its subsidiaries own all of the outstanding shares of ALH common stock (including 40.8 percent owned by BLH).

ACQUISITION OF LIFE PARTNERS GROUP, INC.

Effective July 1, 1996, we completed the acquisition of LPG in a transaction pursuant to which LPG became a wholly owned subsidiary of Conseco (the "LPG Merger"). The LPG Merger was consummated pursuant to an Agreement and Plan of Merger dated March 11, 1996. In the LPG Merger, each of the issued and outstanding shares of LPG common stock was converted into .5833 of a share of Conseco's common stock. We issued a total of 16.1 million shares of the Conseco common stock (or equivalent shares) with a value of $586.8 million and incurred $1.5 million of transaction costs. Prior to the LPG Merger, we had purchased .6 million shares of LPG common stock in the open market for $8.0 million. In conjunction with the LPG Merger, we repaid the $148.7 million outstanding principal amount plus accrued interest under LPG's bank credit facility with borrowings under our Credit Agreement.

We accounted for the acquisition of LPG under the purchase method of accounting. Under this method, we allocated the cost to acquire LPG to the assets and liabilities acquired based on their fair values as of July 1, 1996, and recorded the excess of the total purchase cost over the fair value of the liabilities assumed as goodwill.

The effect of the LPG Merger on the consolidated balance sheet as of July 1, 1996, was as follows (dollars in millions):

Fixed maturities	$ 3,335.4
Mortgage loans	99.6
Credit-tenant loans	86.8
Policy loans	232.1
Short-term investments	79.1
Other investments	87.3
Accrued investment income	56.0
Cost of policies purchased	565.0
Goodwill	575.0
Income taxes	68.5
Reinsurance receivables	279.6
Insurance liabilities	(4,476.8)
Investment borrowings	(71.5)
Notes payable	(123.8)
Other	(47.3)
Total cost to acquire LPG	$ 745.0

BANKERS LIFE HOLDING CORPORATION

On August 26, 1996, Conseco announced its intention to merge with BLH, in a transaction under which Conseco will acquire the outstanding shares of BLH that Conseco does not already own. In the intended merger, each of the 4.7 million outstanding shares of BLH common stock not already owned by Conseco would be converted into the right to receive $25 in Conseco common stock. BLH would be merged into Conseco. Completion of the transaction, which is subject to review by the Securities and Exchange Commission of the information to be submitted to shareholders of BLH describing the terms of the merger and their appraisal rights, is expected to occur by early 1997.

During the first three months of 1996, BLH repurchased 1.3 million shares of its common stock at a cost of $27.7 million. As a result of such repurchases, Conseco's ownership interest in BLH increased to 90.4 percent.

We were required to use step-basis accounting for the acquisition of additional shares of BLH common stock in 1996 and for previous acquisitions. As a result, the assets and liabilities of BLH included in our accompanying consolidated balance sheet represent the following combination of values: (i) the portion of BLH's net assets acquired by Conseco in the November 1992 acquisition is valued as of that acquisition date; (ii) the portion of BLH's net assets acquired in September 1993 is valued as of that date; (iii) the portions of BLH's net assets acquired during 1995 and 1996 are valued as of the dates of their purchase; and (iv) the portion of BLH's net assets owned by minority interests is valued based on a combination of (i) and the historical bases of the net assets acquired in the November 1992 acquisition.

The share repurchases by BLH in 1996 had the following effects on Conseco's consolidated balance sheet accounts (dollars in millions):

Cost of policies purchased	$ 9.0
Cost of policies produced	(5.0)
Goodwill	7.2
Insurance liabilities	(1.4)
Income taxes	(1.1)
Other	.3
Minority interest	18.7
Short-term investments used	$27.7

CHANGES IN NOTES PAYABLE

Notes payable of Conseco

In January 1996, we repaid $245.0 million principal amount of borrowings under our $600 million Credit Agreement using proceeds from the sale of convertible preferred stock (see "Changes in Preferred Stock"). As a result of the prepayment and amendments to the Credit Agreement (including substantive modification of the maturity date and interest rate terms), Conseco recognized an extraordinary loss in the first quarter of 1996 of $9.3 million (net of applicable taxes) representing the unamortized debt issuance costs related to the prior agreement. The amended and restated Credit Agreement permits borrowings up to $500.0 million on a revolving basis. Any borrowings are due in April 2001 and bear interest at the Company's choice of: (i) the bank's base rate; (ii) an Offshore Rate; or (iii) a rate determined based on a solicitation of bids from the lenders. The actual weighted average interest rate was 6.2 percent at September 30, 1996. Offshore Rates are equal to the reserve adjusted IBOR rate plus a margin of .50 percent to 1.125 percent, based on Conseco's debt to total capitalization ratio and the credit rating of Conseco's senior notes (the current margin of .75 percent decreased to .625 percent for borrowings after October 15, 1996, as a result of the rating upgrade of Conseco's senior notes). We pay a fee of .20 percent to .35 percent per annum (depending on the credit rating of Conseco's senior notes) on the unused portion of the Credit Agreement commitment. This fee decreased to .20 percent at September 30, 1996, from .25 percent as a result of the rating upgrade on Conseco's senior notes.

The Credit Agreement provides for mandatory prepayments under certain conditions, including the sale or disposition of significant assets other than in the ordinary course of business and the issuance of debt or equity of Conseco or its subsidiaries. We have pledged, among other things, the capital stock of Conseco's subsidiaries as collateral for the Credit Agreement.

We borrowed $50 million under the Credit Agreement to finance a portion of both the ALH Transaction and the ALH Capital Contribution. We also borrowed $148.7 million to retire LPG's bank credit facilities existing at the acquisition date. At September 30, 1996, the principal balance borrowed under the Credit Agreement was $460 million.

On the date of the LPG Merger, LPG's notes payable included $87.8 million par value of senior subordinated notes due in 2002. In connection with the LPG Merger, Conseco guaranteed LPG's obligations under such notes. Accordingly, such notes were effectively converted into direct obligations of Conseco. The senior subordinated notes bear interest at 12.75 percent payable semi-annually, are unsecured and rank pari passu with other unsecured unsubordinated debt of Conseco. The notes, which are publicly traded on the New York Stock Exchange, are redeemable at Conseco's option at a redemption price of 103.643 percent commencing July 15, 1997, and declining over the next twelve months to 100 percent.

We borrowed $100.0 million under a new bridge loan facility effective September 30, 1996. The proceeds were used to finance a portion of the ALH Capital Contribution. Borrowings under the bridge loan bear interest at 5.865 percent and are due on December 31, 1996. We intend to repay the bridge loan facility with either: (i) the proceeds from an offering of Trust Originated Preferred Securities; or (ii) a new loan, for which we have received a bank's commitment (see "Pending Acquisitions and Financing").

In connection with the ALH Transaction, Conseco guaranteed ALH's obligations under the senior subordinated notes due in 2004. Accordingly, such notes were effectively converted into direct obligations of Conseco. The notes bear interest at 11.25 percent payable semi-annually, are unsecured and rank pari passu with other unsecured and unsubordinated debt of Conseco. These notes, which are publicly traded on the New York Stock Exchange, are redeemable at the option of Conseco in whole or in part, at any time on and after September 15, 1999, at specified redemption prices.

In the first quarter of 1996, Conseco acquired certain property and casualty insurance brokerage businesses for approximately $17.0 million. These acquisitions were funded with $12.0 million in cash and promissory notes due in five annual installments commencing in 1997.

Notes payable of BLH (not direct obligations of Conseco)

In March 1996, BLH completed a tender offer pursuant to which it repurchased $148.3 million principal balance of its 13 percent senior subordinated notes for $173.2 million. The repurchased notes had a carrying value of $157.8 million. The repurchase was made using the proceeds from a revolving credit facility entered into in February 1996. In conjunction with the tender offer, holders of the senior subordinated notes consented to amendments to the indenture for such notes which eliminated substantially all restrictive covenants of the notes, including covenants which limited BLH's ability to pay dividends, incur additional indebtedness, repurchase its common stock and make certain investments. Conseco's share of the extraordinary charge (net of applicable income tax and minority interest) of $8.1 million related to the repurchase was reported in the first quarter of 1996. During the second quarter of 1996, BLH repurchased $.1 million par value of its 13 percent senior subordinated notes, with no material loss realized. At September 30, 1996, senior subordinated notes with a par value of $31.6 million remain outstanding.

BLH can borrow up to $400 million under its revolving credit facility (including a competitive bid facility in the aggregate principal amount of up to $100 million). Any borrowings are due in 2001 and accrue interest at a rate of LIBOR plus an applicable margin of 50 or 75 basis points, depending on BLH's ratio of debt to consolidated net worth. The actual weighted average rate at September 30, 1996, was 6.0 percent. In addition to the repurchase of the 13 percent senior subordinated notes, proceeds were used to repay BLH's $110 million principal balance due under the bridge loan facility. The revolving credit agreement contains a number of covenants, including prohibitions or limitations on indebtedness, liens, mergers, acquisitions, sales of assets outside of the normal course of BLH's business and certain transactions with affiliates.

BLH borrowed $140.0 million under the revolving credit facility to finance a portion of the ALH Transaction. At September 30, 1996, the total principal balance borrowed under the revolving credit facility was $388.0 million.

Notes payable of American Life Holdings, Inc. (not direct obligations of Conseco)

During the first nine months ended September 30, 1996, $2.1 million principal amount of ALH's 6-1/4% Convertible Debentures due 2003 was converted and redeemed, leaving $13.0 million outstanding at September 30, 1996.

CHANGES IN PREFERRED STOCK

On January 23, 1996, Conseco completed the offering of 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities, 7% Convertible Preferred Stock ("PRIDES"). Proceeds from the offering of $257.7 million (after underwriting and other associated costs) were used to repay notes payable of Conseco (see "Changes in Notes Payable"). Each share of PRIDES pays quarterly dividends at the annual rate of 7 percent of the $61.125 liquidation preference per share (equivalent to an annual amount of $4.279 per share). On February 1, 2000, unless either previously redeemed by Conseco or converted at the option of the holder, each share of PRIDES will mandatorily convert into two shares of Conseco common stock, subject to adjustment in certain events. Shares of PRIDES are not redeemable prior to February 1, 1999. From February 1, 1999 through February 1, 2000, the Company may redeem any or all of the outstanding shares of PRIDES. Upon such redemption, each holder will receive, in exchange for each share of PRIDES, the number of shares of Conseco common stock equal to (i) the sum of (a) $62.195, declining after February 1, 1999 to $61.125, and (b) accrued and unpaid dividends divided by (ii) the market price of Conseco common stock at such date. In no event will a holder receive less than 1.71 shares of Conseco common stock.

During the first nine months of 1996, 300 shares of PRIDES were converted by holders of such shares into 513 shares of Conseco common stock.

On September 26, 1996, Conseco exercised its right to redeem the outstanding Series D Cumulative Convertible Preferred Stock (the "Series D Call"). A total of 6,358 Series D shares were redeemed at $52.916 per share including $.641 per share of accrued and unpaid dividends. Holders of the remaining 5,381,437 Series D shares elected to convert their shares into 8,441,195 shares of Conseco common stock during the third quarter of 1996.

CHANGES IN COMMON STOCK

In March 1996, Conseco implemented an option exercise program under which its chief executive officer and four of its executive vice presidents exercised outstanding options to purchase approximately 1.6 million shares of the Company's common stock. The options would otherwise have remained exercisable until the years 2000 through 2002. As a result of the exercise, the Company realized a tax deduction equal to the aggregate tax gain recognized by the executives as a result of the exercise. The tax benefit of $15.1 million (net of payroll taxes incurred of $.7 million) and the exercise proceeds of $5.2 million are reflected as increases to additional paid-in capital. The Company withheld shares to cover federal and state taxes owed by the executives as a result of the exercise transaction. Net of withheld shares, the Company issued approximately .8 million shares of common stock to the executives. The Company also granted to the executive officers new options to purchase a total of .8 million shares at $32.44 per share (the market price per share on the grant date) to replace the shares surrendered for taxes and the exercise price.

The $26.0 million cost of the .8 million shares repurchased by Conseco in the transaction described above was allocated to shareholders' equity accounts as follows: (i) $3.1 million to common stock and additional paid-in capital (such allocation was based on the average common stock and paid-in capital balance per share) and (ii) $22.9 million to retained earnings.

During the first nine months of 1996, we issued 589,884 shares of common stock upon the exercise of stock options, in addition to the option exercise program described above. Proceeds from the exercise of these options of $11.1 million and the related tax benefit of $3.3 million were added to common stock and additional paid-in capital.

During the first nine months of 1996, we issued 133,699 shares of common stock to employee benefit plans. We also added $5.1 million to common stock and additional paid-in capital related to employee benefit plans.

On the date of the LPG Merger, we issued 16.1 million shares of Conseco common stock in exchange for all of the outstanding shares of LPG common stock.

CHANGES IN MINORITY INTEREST

Changes during 1996 reflect: (i) the repurchases by BLH of 1.3 million shares of its common stock described under "Bankers Life Holding Corporation";
(ii) the ALH Transaction; and (iii) the ALH Preferred Stock Purchase. Minority interest at September 30, 1996, included: (i) $54.6 million interest in the common stock of BLH; (ii) $92.5 million interest in the redeemable preferred stock of a subsidiary of ALH; and (iii) $.7 million in the common stock of a subsidiary of ALH.

Changes in minority interest during the first nine months of 1996 and 1995 are summarized below:

	1996	1995
	(Dollars in millions)	
Minority interest, beginning of period	$ 403.3	$ 321.7
Consolidation of CCP, effective January 1, 1995	-	191.2
Changes in investments made by minority shareholders:		
ALH Transaction	(131.2)	-
ALH Preferred Stock Purchase	(12.6)	-
Preferred stock of a subsidiary of ALH held by LPG at the date of the LPG Merger	(6.5)	-
Purchase of BLH common stock by Conseco	-	(144.1)
Repurchase by BLH of its common stock	(18.7)	(17.2)
Repurchase by CCP of its common stock	-	(44.6)
Purchase of CCP common stock by Conseco in the CCP Merger	-	(241.7)
Conseco's additional ownership interests in BLH and ALH as a result of the CCP Merger	-	(53.8)
Minority interests' equity in the change in financial position of the Company's subsidiaries:		
Net income	25.8	83.8
Unrealized appreciation (depreciation) of securities	(103.8)	275.4
Dividends	(8.5)	(14.0)
Minority interest, end of period	$ 147.8	$ 356.7

PRO FORMA DATA

The pro forma data are presented as if the following transactions, which have already occurred, had occurred on January 1, 1995: (i) the CCP Merger; (ii) the acquisition of additional shares of BLH common stock in 1995; (iii) the repurchase by BLH and CCP of their common stock; (iv) the issuance of the PRIDES; (v) the repurchase by BLH of its subordinated notes and related financing; (vi) the ALH financing transaction completed in the fourth quarter of 1995; (vii) the LPG Merger; (viii) the Series D Call; and (ix) the ALH Transaction.

	Nine months ended September 30,	
	1996	1995
	(Dollars in millions, except per share data)	
Revenues	$2,521.4	$2,548.2
Income before extraordinary charge	219.9	207.4
Income before extraordinary charge per common share:		
Primary	$ 2.85	$ 2.75
Fully diluted	2.79	2.74

DIRECTOR, EXECUTIVE AND SENIOR OFFICER STOCK PURCHASE PLAN

In April 1996, Conseco approved a Director, Executive and Senior Officer Stock Purchase Plan to encourage direct, long-term ownership of Conseco stock by Board members, executive officers and certain senior officers. Under the program, up to 2 million shares of Conseco common stock could be purchased in open market or negotiated transactions with independent parties. Participants could elect to purchase up to 50 percent of their participation in the form of Conseco PRIDES. Purchases were financed by personal loans to the participants from a bank. Such loans were secured by the Conseco stock purchased. Conseco guaranteed the loans, but has recourse to the participants if it incurs a loss under the guarantee. In addition, Conseco has agreed to provide loans to the participants for interest payments under the bank loans. Directors and officers of Conseco have purchased all 2 million shares of Conseco common stock offered under the Plan. At September 30, 1996, the bank loans guaranteed by Conseco totaled $83.4 million and the loans provided by Conseco totaled $.9 million.

PENDING ACQUISITIONS AND FINANCING

American Travellers Corporation

Conseco has agreed to acquire American Travellers Corporation ("ATC"), a provider of long-term care insurance, for approximately $793 million in Conseco common stock. Under the definitive agreement dated August 25, 1996, between Conseco and ATC, each of the 18.0 million issued and outstanding shares of ATC common stock would be converted into the right to receive a fraction of a share of Conseco common stock having a value between $32.00 and $35.03, depending on the average closing price of Conseco shares in the 10 trading days immediately preceding the second trading day prior to closing. Each $1,000 principal amount of ATC's 6-1/2 Percent Convertible Subordinated Debentures would become convertible into shares of Conseco common stock having a value between $2,110 and $2,310, depending on the same average price. The total value of Conseco common stock to be issued in this transaction includes $575 million to acquire ATC outstanding common shares and $218 million when the ATC debentures are converted. Under the agreement, ATC would be merged into Conseco. Consummation of the ATC transaction, which is subject to customary terms and conditions, including approval by the stockholders of both ATC and Conseco and regulatory approvals, is expected by the end of the fourth quarter of 1996.

Capitol American Financial Corporation

Conseco has agreed to acquire Capitol American Financial Corporation ("CAF"), a provider of cancer insurance and other supplemental health insurance products, for approximately $650 million in cash and Conseco common stock. Under the definitive agreement dated August 25, 1996, between Conseco and CAF, each of the 17.8 million issued and outstanding shares of CAF common stock would be converted into the right to receive $30.00 in cash and $6.50 of Conseco common stock. The $680 million total value of the transaction includes $534 million in cash, $116 million in Conseco stock and $30 million of CAF debt being assumed by Conseco. Under the agreement, CAF would be merged into Conseco. Consummation of the transaction, which is subject to customary terms and conditions, including approval by the stockholders of CAF and regulatory approvals, is expected by the end of the fourth quarter of 1996.

Transport Holdings Inc.

On September 26, 1996, Conseco announced an agreement under which Conseco will acquire Transport Holdings Inc. ("THI"), a provider of cancer insurance and other supplemental health insurance, for $70 per share in Conseco common stock. In the merger, each of the issued and outstanding shares of THI Class A common stock would be converted into the right to receive the number of shares of Conseco common stock determined by dividing $70.00 by the average closing price of Conseco common stock during the 10 trading days immediately preceding the second trading day prior to closing (such number to be not more than 1.8301 nor less than 1.4000). THI's outstanding convertible debt, stock options and warrants, when converted or exercised, would receive the same ratio of Conseco common shares. The total value of the transaction would be $311 million, including: (i) $228 million to purchase THI's 3.2 million common shares and equivalents; and (ii) $83 million to retire bank debt and preferred stock. Consummation of the THI transaction, which is subject to customary terms and conditions, including approval by THI shareholders and regulatory approvals, is expected by the end of 1996. Under the merger agreement, THI would be merged into Conseco, with Conseco being the surviving corporation.

Trust Originated Preferred Securities

On November 8, 1996, Conseco announced that Conseco Financing Trust I, a subsidiary trust of Conseco, intends to offer 8 million Trust Originated Preferred Securities, which have a liquidation amount of $25 per preferred security. The preferred securities will be fully and unconditionally guaranteed by Conseco.

Commitments for Senior Credit Facility

Conseco has received a commitment from a syndicate of banks, pursuant to which the banks have agreed to provide Conseco with a $1.8 billion revolving credit facility. Such credit facility would include two tranches: tranche A, a $1.4 billion five year revolving credit facility; and tranche B, a $.4 billion one year revolving credit facility.

Proceeds from the credit facility would be used to consolidate Conseco's current bank credit facilities, finance a portion of the cash required to complete the pending acquisitions referred to above and for other general corporate purposes.

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

The following discussion highlights material factors affecting our results of operations and the significant changes in our balance sheet items. Changes in 1996 and 1995 are largely affected by the transactions described in the accompanying notes to the consolidated financial statements and the notes to the consolidated financial statements included in our 1995 Form 10-K. This discussion should be read in conjunction with both sets of consolidated financial statements and notes.

RESULTS OF OPERATIONS

Conseco generates earnings primarily by operating life insurance companies and providing services to affiliates and non-affiliates for fees. In the past, we were also active in acquiring and restructuring life insurance companies in partnership with other investors, but we announced in March 1996 that this activity would cease with the termination of Partnership II.

In 1996, we changed the way we allocate certain expenses to our subsidiaries. Accordingly, prior period segment results have been restated to reflect the change. Such restatement had no effect on consolidated operating earnings or net income.

CONSECO, INC. AND SUBSIDIARIES

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

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Life insurance operations:				
Senior market operations:				
Operating earnings	$26.0	$ 19.7	$ 79.4	$ 46.7
Net trading income (losses)	.4	(.2)	(.8)	.9
Net realized gains	.2	.5	.1	2.1
Extraordinary charge	-	-	(8.1)	-
Net income	26.6	20.0	70.6	49.7
Annuity operations:				
Operating earnings	24.1	10.5	56.1	23.7
Net trading income (losses)	.1	(.4)	(1.6)	.8
Net realized gains	.7	.6	.6	4.8
Extraordinary charge	(.3)	-	(.3)	-
Net income	24.6	10.7	54.8	29.3
LPG life insurance operations:				
Operating earnings	19.4	-	19.4	-
Net trading losses	(.2)	-	(.2)	-
Net realized losses	(1.1)	-	(1.1)	-
Extraordinary charge	(.3)	-	(.3)	-
Net income	17.8	-	17.8	-
Other life insurance operations:				
Operating earnings	3.8	2.5	10.4	8.9
Net trading losses	(.4)	(.6)	(1.0)	(1.2)
Net realized losses	-	(.3)	(.2)	(1.1)
Net income	3.4	1.6	9.2	6.6
Total from life insurance operations:				
Operating earnings	73.3	32.7	165.3	79.3
Net trading income (losses)	(.1)	(1.2)	(3.6)	.5
Net realized gains (losses)	(.2)	.8	(.6)	5.8
Extraordinary charge	(.6)	-	(8.7)	-
Net income	72.4	32.3	152.4	85.6
Fee-based operations	11.9	11.0	32.4	33.7
Restructuring activities	-	8.4	17.7	74.9
Interest and other:				
Interest expense on notes payable	(12.8)	(9.5)	(33.4)	(18.3)
Net operating revenue (expense)	7.2	2.9	17.5	(5.4)
Net trading losses	-	(.8)	(.6)	(1.0)
Net realized losses	-	(.8)	(1.6)	(1.7)
Extraordinary charge	(.6)	-	(9.9)	-
Net loss	(6.2)	(8.2)	(28.0)	(26.4)
Consolidated earnings:				
Operating earnings	79.6	37.1	181.8	89.3
Net trading losses	(.1)	(2.0)	(4.2)	(.5)
Net realized gains (losses)	(.2)	-	(2.2)	4.1
Restructuring income	-	8.4	17.7	74.9
Extraordinary charge	(1.2)	-	(18.6)	-
Net income	$78.1	$ 43.5	$ 174.5	$ 167.8

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

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Life insurance operations:				
Senior market operations:				
Operating earnings	$ .34	$ .38	$1.18	$ .90
Net trading income (losses)	-	-	(.01)	.02
Net realized gains	-	.01	-	.04
Extraordinary charge	-	-	(.12)	-
Net income	.34	.39	1.05	.96
Annuity operations:				
Operating earnings	.30	.20	.83	.45
Net trading income (losses)	-	(.01)	(.02)	.01
Net realized gains	.01	.01	-	.09
Net income	.31	.20	.81	.55
LPG life insurance operations:				
Operating earnings	.25	-	.29	-
Net trading losses	-	-	(.01)	-
Net realized losses	(.01)	-	(.01)	-
Extraordinary charge	(.01)	-	(.01)	-
Net income	.23	-	.26	-
Other life insurance operations:				
Operating earnings	.04	.05	.15	.17
Net trading losses	-	(.01)	(.01)	(.02)
Net realized losses	-	-	-	(.02)
Net income	.04	.04	.14	.13
Total from life insurance operations:				
Operating earnings	.93	.63	2.45	1.52
Net trading income (losses)	-	(.02)	(.05)	.01
Net realized gains (losses)	-	.02	(.01)	.11
Extraordinary charge	(.01)	-	(.13)	-
Net income	.92	.63	2.26	1.64
Fee-based operations	.15	.22	.48	.65
Restructuring activities	-	.16	.26	1.44
Interest and other:				
Interest expense on notes payable	(.16)	(.18)	(.49)	(.35)
Net operating revenue (expense)	.09	.05	.26	(.11)
Net trading losses	-	(.02)	(.01)	(.02)
Net realized losses	-	(.02)	(.02)	(.03)
Extraordinary charge	(.01)	-	(.15)	-
Net loss	(.08)	(.17)	(.41)	(.51)
Consolidated earnings:				
Operating earnings	1.01	.72	2.70	1.71
Net trading losses	-	(.04)	(.06)	(.01)
Net realized gains (losses)	-	-	(.03)	.08
Restructuring income	-	.16	.26	1.44
Extraordinary charge	(.02)	-	(.28)	-
Net income	$ .99	$ .84	$ 2.59	$3.22

Additional Discussion of Consolidated Statement of Operations for the First Nine Months of 1996 Compared to the First Nine Months of 1995 and the Third Quarter of 1996 Compared to the Third Quarter of 1995:

The following tables and narratives summarize amounts reported in the consolidated statement of operations. Many of the changes from period to period resulted from changes in Conseco's ownership in BLH and CCP.

Life Insurance Operations:

Senior Market Operations:

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$317.8	$316.5	$ 961.8	$ 937.3
Investment activity:				
Net investment income	65.2	61.2	190.9	185.2
Net trading income (losses)	.6	(.4)	(1.4)	2.2
Net realized gains	.7	1.1	5.9	12.0
Other income (loss)	(.6)	.6	-	3.3
Total revenues	383.7	379.0	1,157.2	1,140.0
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	230.4	236.4	718.2	713.6
Interest expense on annuities and financial products	20.5	19.0	60.8	57.0
Interest expense on notes payable	5.5	7.5	18.1	23.0
Interest expense on investment borrowings	1.8	1.0	4.1	4.4
Amortization related to operations	34.4	31.4	90.0	92.4
Amortization related to realized gains	.2	.1	5.6	6.7
Other operating costs and expenses	41.0	43.2	115.7	121.3
Income before taxes, minority interest and extraordinary charge	49.9	40.4	144.7	121.6
Income tax expense	20.2	15.5	57.0	46.1
Income before minority interest and extraordinary charge	29.7	24.9	87.7	75.5
Minority interest	3.1	4.9	9.0	25.8
Income before extraordinary charge	26.6	20.0	78.7	49.7
Extraordinary charge	-	-	8.1	-
Net income	26.6	20.0	70.6	49.7
Summarized by component, all net of applicable expenses, taxes and minority interest:				
Operating earnings	26.0	19.7	79.4	46.7
Net trading income (losses)	.4	(.2)	(.8)	.9
Net realized gains	.2	.5	.1	2.1
Extraordinary charge	-	-	(8.1)	-
Net income	26.6	20.0	70.6	49.7

General. Senior market operations consist of the activities of BLH. During the first half of 1995, Conseco acquired 12.8 million common shares of BLH at a cost of $262.4 million. During the 12 months ended March 31, 1996, BLH acquired 3.5 million shares of its common stock at a cost of $69.8 million. These transactions increased Conseco's average ownership interest in BLH to 69.7 percent and 90.4 percent for the first nine months of 1995 and 1996, respectively. All activities of BLH are included in Conseco's financial statements on a consolidated basis. Conseco's minority interest adjustment, however, removes the portion of BLH's net income applicable to other owners.

At September 30, 1996, the BLH shares owned by Conseco had a net carrying value of $959.6 million, a fair value of $1,088.6 million and a cost of $575.5 million.

Insurance policy income increased as a result of increases in Medicare supplement and long-term care premiums, which were largely offset by the anticipated decrease in comprehensive major medical product premiums resulting from prior steps taken to improve the profitability of this product.

Net investment income in the third quarter of 1996 increased 6.5 percent over 1995, to $65.2 million. Average invested assets (amortized cost basis) increased to $3.5 billion in the third quarter of 1996, from $3.3 billion in 1995, while the yield earned on average invested assets increased to 7.4 percent from 7.2 percent. Net investment income in the first nine months of 1996 increased 3.1 percent over 1995, to $190.9 million. Average invested assets (amortized cost basis) increased to $3.5 billion in the first nine months of 1996 from $3.4 billion in 1995 while the yield earned on average invested assets declined to 7.3 percent from 7.4 percent. Invested assets grew primarily as a result of operations.

Net realized gains and net trading income (losses) often fluctuate from period to period. BLH sold $1.9 billion of investments (principally fixed maturity investments) in the first nine months of 1996, compared to $.7 billion in 1995, which sales resulted in net realized gains of $5.9 million and trading losses of $1.4 million in 1996, compared to net realized gains of $18.0 million and trading income of $2.2 million in 1995. Net realized gains during the first nine months of 1995 also reflected realized losses of $2.2 million on the writedown of certain exchange-rate linked securities as a result of foreign currency fluctuations and a $3.8 million writedown of a corporate security as a result of changes in conditions which caused BLH to conclude that a decline in the fair value of the security was other than temporary. There were no such writedowns in the first nine months of 1996.

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

Insurance policy benefits and change in future policy benefits in the third quarter of 1996 decreased 2.5 percent from 1995, to $230.4 million. In the first nine months of 1996, this account increased .6 percent over 1995, to $718.2 million. Such changes reflect the increased amount of business in force on which benefits are incurred and the improved loss experience in the Medicare supplement line during 1996.

Interest expense on annuities and financial products in the third quarter of 1996 increased 7.9 percent over 1995, to $20.5 million. In the first nine months of 1996, this account increased 6.7 percent over 1995, to $60.8 million. Such increase reflects the increase in annuity liabilities resulting from increased annuity deposits. The weighted average crediting rate for BLH's annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.5 percent at September 30, 1996 and 1995.

Interest expense on notes payable in the third quarter of 1996 decreased 27 percent from 1995, to $5.5 million. In the first nine months of 1996, this account decreased 21 percent from 1995, to $18.1 million. Such decrease reflects the reduction in interest expense resulting from the repurchase of $148.3 million principal balance of BLH's 13 percent senior subordinated notes in March 1996 using the proceeds from BLH's revolving credit facility. The weighted average interest rate on borrowings under the revolving credit facility was 6.0 percent for the first nine months of 1996.

Interest expense on investment borrowings did not fluctuate materially in the 1996 and 1995 nine month periods. BLH's average investment borrowings were $102.7 million and $106.3 million during the first nine months of 1996 and 1995, respectively, and interest rates paid on such borrowings during these periods were comparable.

Amortization related to operations (consisting of amortization of the cost of policies purchased, the cost of policies produced and goodwill) in the third quarter of 1996 increased 9.6 percent over 1995, to $34.4 million, and in the first nine months of 1996 decreased 2.6 percent from 1995, to $90.0 million. Amortization related to operations in 1996 reflects the use of the step-basis method of purchase accounting to account for the additional purchases of BLH common stock. Such method results in different amortization assumptions and bases for the cost of policies purchased and goodwill acquired in each acquisition.

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

Cost of policies purchased represents the portion of Conseco's cost to acquire BLH that is attributable to the right to receive cash flows from insurance contracts in force at the acquisition dates. We expensed some costs incurred subsequent to our purchases on policies issued prior to such dates, which otherwise would have been deferred had it not been for our purchases (because they vary with and are primarily related to the production of the acquired interests in policies). Such costs are primarily comprised of certain commissions paid in excess of ultimate commissions which totaled approximately $5.3 million and have been expensed as operating expense in the nine months ended September 30, 1996. However, such amounts were considered in determining the cost of policies purchased and its amortization.

Amortization related to realized gains fluctuates as a result of the change in realized gains discussed above.

Other operating costs and expenses in the third quarter of 1996 decreased 5.1 percent from 1995, to $41.0 million, and in the first nine months of 1996 decreased 4.6 percent from 1995, to $115.7 million. Such decrease was primarily due to the expensing of commissions on policies issued prior to the 1995 and 1996 acquisitions of Conseco's ownership interest (see amortization related to operations). Prior to these acquisitions, such commissions described above were capitalized as costs of policies produced.

Income tax expense in the 1996 periods increased primarily due to the increase in pretax income. The effective tax rates of 39 percent for 1996 and 38 percent for 1995 exceeded the statutory corporate income tax rate (35 percent) primarily because goodwill amortization is not deductible for federal income tax purposes.

Minority interest decreased due to the increase in Conseco's ownership interest in BLH.

Extraordinary charge in 1996 represents the loss recognized on the early extinguishment of $148.3 million principal balance of BLH's 13 percent senior subordinated notes.

Annuity Operations:

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 36.0	$ 43.9	$109.4	$128.0
Investment activity:				
Net investment income	202.7	210.8	603.1	608.6
Net trading income (losses)	1.1	(.7)	(2.3)	3.8
Net realized gains	6.8	5.7	14.3	72.7
Total revenues	247.7	261.2	728.3	818.0
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	21.2	30.2	61.2	82.4
Interest expense on annuities and financial products	120.7	126.1	358.8	361.8
Interest expense on notes payable	10.4	11.1	31.6	39.0
Interest expense on investment borrowings	4.2	4.6	10.2	14.7
Amortization related to operations	25.8	21.0	66.8	62.0
Amortization related to realized gains	2.9	3.0	9.5	40.4
Other operating costs and expenses	26.9	26.3	75.5	73.5
Income before taxes and minority interest	35.6	38.9	114.7	144.2
Income tax expense	9.6	14.1	41.5	56.9
Income before minority interest	26.0	24.8	73.2	87.3
Minority interest	1.1	14.1	18.1	58.0
Extraordinary charge	.3	-	.3	-
Net income	24.6	10.7	54.8	29.3
Summarized by component, all net of applicable expenses, taxes, and minority interest:				
Operating earnings	24.1	10.5	56.1	23.7
Net trading income (losses)	.1	(.4)	(1.6)	.8
Net realized gains	.7	.6	.6	4.8
Extraordinary charge	(.3)	-	(.3)	-
Net income	24.6	10.7	54.8	29.3

General. The annuity operations include earnings from the former CCP subsidiaries, Beneficial Standard Life Insurance Company and Great American Reserve Insurance Company, and ALH. After the CCP Merger in August 1995, the CCP subsidiaries became wholly owned subsidiaries of Conseco. Conseco's consolidated statement of operations reflects a 49 percent ownership interest of the CCP companies for the first six months of 1995, a 66 percent ownership interest for the third quarter of 1995 and 100 percent ownership for the 1996 periods. Conseco's consolidated statement of operations reflects a 25 percent ownership interest in ALH in the first quarter of 1995, a 26 percent ownership interest in the second quarter of 1995, a 30 percent ownership interest in the third quarter of 1995, a 36 percent ownership interest in the first six months of 1996 and a 38 percent ownership interest in the third quarter of 1996. The minority interest adjustment removes from Conseco's net income the portion applicable to other owners.

Insurance policy income, which consists of premiums received on traditional life insurance products and policy fund and surrender charges assessed against investment type products, decreased 15 percent to $109.4 million in 1996 and decreased 18 percent to $36.0 million in the third quarter of 1996 as a result of a reduction in premiums on policies with mortality or morbidity risks partially offset by an increase in surrender charges earned on annuity policy withdrawals. Such charges were $23.8 million in the first nine months of 1996 compared to $18.6 million in 1995; and were $8.0 million in the third quarter of 1996 compared to $6.3 million in 1995. Annuity policy withdrawals were $292.5 million in the third quarter of 1996 compared to $249.5 million in 1995. Such withdrawals were $877.8 million in the first nine months of 1996 compared to $820.0 million in 1995.

Net investment income includes both income earned on the general invested assets of the annuity operations and separate account assets related to variable annuities. Investment income earned on separate account assets is offset by a corresponding charge to interest expense on annuities and financial products. Excluding investment income on separate accounts, net investment income in the third quarter of 1996 decreased 4.5 percent from 1995, to $194.8 million and in the first nine months of 1996 decreased 2.3

percent from 1995, to $583.9 million. Average invested assets, excluding separate accounts, increased to $9.7 billion in the third quarter of 1996, from $9.4 billion in the third quarter of 1995, while the yield earned on invested assets declined to 8.1 percent from 8.7 percent. Average invested assets (amortized cost basis) increased to $9.7 billion in the first nine months of 1996 from $9.5 billion in 1995, while the yield earned on average invested assets decreased to 8.1 percent from 8.6 percent. Cash flows received during 1995 and the first nine months of 1996 (including cash flows from the sales of investments) were invested in lower-yielding securities due to a general decline in interest rates.

Net investment income on separate account assets in the third quarter of 1996 increased to $7.9 million from $6.8 million in 1995 and in the first nine months of 1996 increased to $19.2 million from $10.8 million in 1995.

Net realized gains often fluctuate from period to period. The annuity operations sold $2.7 million of actively managed fixed maturities in the first nine months of 1996 compared to $2.6 billion in 1995, which sales resulted in net realized gains of $14.3 million and trading losses of $2.3 million in the 1996 period compared to net realized gains of $81.1 million and $3.8 million of trading income in the 1995 period. Net realized gains during the first nine months of 1995 also reflected realized losses of $.2 million on the writedown of an exchange-rate linked security as a result of foreign currency fluctuations and an $8.2 million writedown of a corporate security as a result of conditions which caused annuity operations to conclude that a decline in the fair value of the security was other than temporary.

Additional amortization of the cost of policies purchased and the cost of policies produced is recognized in the same period as realized gains in order to reflect reduced future yields, thereby reducing such amortization in future periods (see amortization related to realized gains (losses) below).

Insurance policy benefits and change in future policy benefits relate solely to policies with mortality or morbidity features. The decrease in 1996 corresponds with the decrease in the in-force block of such policies and the reinsuring of group life insurance business of ALH to an unaffiliated company at the end of 1995.

Interest expense on annuities and financial products in the third quarter of 1996 decreased 4.3 percent from 1995, to $120.7 million, and in the first nine months for 1996 decreased .8 percent from 1995, to $358.8 million. Such decreases reflect: (i) lower crediting rates and (ii) the expensing in 1995 of first-year interest rate bonuses of approximately $5.9 million on policies issued prior to ALH's acquisition date as a result of the application of purchase accounting. Prior to the acquisition of ALH, such interest rate bonuses were capitalized as a cost of policies produced. The decreases described above were partially offset by increases to the variable annuity liabilities and the related investment income from separate account assets as described above under net investment income. The weighted average crediting rates for annuity liabilities (other than separate accounts where the credited amount is based on investment income from the segregated investments and excluding interest bonuses guaranteed for the first year of the annuity contract) were 5.1 percent and 5.4 percent at September 30, 1996 and 1995, respectively.

Interest expense on notes payable in the third quarter of 1996 decreased 6.3 percent from 1995, to $10.4 million, and in the first nine months of 1996 decreased 19 percent from 1995, to $31.6 million. Such decrease reflects: (i) scheduled and unscheduled reductions in outstanding indebtedness of the annuity operations and lower interest rates on such borrowings; and (ii) the changes in the debt of the annuity operations resulting from the CCP Merger. In the first nine months of 1996, interest expense includes $10.2 million related to CCP debt due to another subsidiary of Conseco. Such interest expense is reflected as investment income in the "Interest and Other" segment and is eliminated in consolidation. In the first nine months of 1995, interest expense includes $14.0 million interest related to $200 million of 10.5 percent senior notes issued by CCP in December 1994. After the CCP Merger, these notes became a direct obligation of Conseco and the related interest expense is recorded in the "Interest and Other" segment.

Interest expense on investment borrowings decreased during the 1996 periods primarily due to a decrease in investment borrowing activities. Average investment borrowings of the annuity operations were $254.2 million and $325.5 million during the first nine months of 1996 and 1995, respectively.

Amortization related to operations in the third quarter of 1996 increased 23 percent over 1995, to $25.8 million and in the first nine months of 1996 increased 7.7 percent over 1995, to $66.8 million. Amortization related to operations in 1996 reflects the use of the step-basis method of purchase accounting for the additional purchase of CCP common stock. In addition, the higher amortization reflects the increase in the amount of business in-force issued.

Amortization related to realized gains (losses) fluctuates as a result of the change in realized gains discussed above.

Income tax expense decreased in the third quarter of 1996 primarily due to the release of $2.2 million of deferred income taxes previously accrued on income related to ALH. Such deferred tax is no longer required because the ALH transaction was completed without incurring this tax.

Extraordinary charge in the 1996 period represents the loss recognized on the repayment of the $125.0 million principal amount outstanding under the senior credit facility of ALH.

Minority interest in the 1996 period is reduced by $10.2 million as a result of provisions of the Partnership II Agreement, which provide for an additional ownership interest in ALH to be allocated to the general partner (Conseco) when returns to the limited partners exceed prescribed targets (see "Acquisition of American Life Holdings, Inc." in the notes to the consolidated financial statements). The $10.2 million reduction represents Conseco's increased ownership interest in the previously reported net income of ALH as a result of the termination of Partnership II. Minority interest in both 1996 and 1995 include: (i) dividends on preferred stock of a subsidiary of ALH; (ii) dividends on preferred stock of ALH issued to finance a portion of the Acquisition; and (iii) the portion of earnings applicable to ALH minority common shareholders. CCP's minority interest was eliminated after the CCP Merger.

LPG Life Insurance Operations:

	As included in Conseco's consolidated financial statements	Prior to acquisition (prior basis)		
	Three months ended September 30, 1996	Three months ended September 30, 1995	Six months ended June 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 81.9	$ 78.8	$155.8	$215.7
Investment activity:				
Net investment income	77.0	72.4	148.3	211.4
Net trading losses	(.3)	-	-	-
Net realized gains (losses)	(1.7)	11.9	2.3	14.3
Total revenues	157.7	164.1	309.0	444.3
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	55.7	43.3	83.0	134.4
Interest expense on annuities and financial products	38.3	37.1	75.1	101.0
Interest expense on notes payable	6.8	9.7	11.8	21.7
Interest expense on investment borrowings	.2	2.1	2.1	6.1
Amortization related to operations	8.8	28.5	65.6	68.7
Amortization related to realized gains (losses)	-	(.2)	.1	(.7)
Other operating costs and expenses	17.8	20.4	35.9	72.3
Income before taxes and minority interest	30.1	23.2	27.5	40.8
Income tax expense	12.0	8.4	11.6	14.7
Income before minority interest	18.1	14.8	15.9	26.1
Extraordinary charge	.3	-	-	-
Net income	17.8	14.8	15.9	26.1
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	19.4	6.9	14.5	16.3
Net trading losses	(.2)	-	-	-
Net realized gains (losses)	(1.1)	7.9	1.4	9.8
Extraordinary charge	(.3)	-	-	-
Net income	17.8	14.8	15.9	26.1

General. LPG life insurance operations include earnings from LPG and its four principal life insurance subsidiaries. After the LPG Merger, LPG is a wholly owned subsidiary of Conseco. Conseco accounted for the LPG Merger as a purchase. As a result, financial data for periods subsequent to July 1, 1996, reflect purchase accounting and, accordingly, data for the periods prior to the LPG Merger may not be comparable with data for the third quarter of 1996. Significant accounting adjustments recorded as a result of the adoption of the new basis are described in the notes to the consolidated financial statements.

Operating data for the nine months ended September 30, 1996, are presented in two periods: the six months ended June 30, 1996, (the period prior to the adoption of a new basis of accounting) and the three months ended September 30, 1996.

Insurance policy income consists of premiums received on traditional life insurance products, mortality charges and administrative fees earned on universal life insurance products and policy fund and surrender charges assessed against investment-type products. In the third quarter of 1996, this account increased 3.9 percent from 1995, to $81.9 million, and in the first nine months of 1996 increased 10 percent from 1995, to $237.7 million. Such increases reflect the growth in the universal life in-force block of business.

Net investment income in the third quarter of 1996 increased 6.4 percent from 1995, to $77.0 million. Average invested assets (amortized cost basis) were $3.9 billion in the third quarter of both 1996 and 1995 while the yield earned on average invested assets increased to 7.9 percent in 1996 from 6.9 percent in 1995. Such amounts reflect the effect of purchase accounting to record the LPG Merger.

Interest expense on annuities and financial products in the third quarter of 1996 increased 3.2 percent from 1995, to $38.3 million. The increase in the 1996 period reflects growth in the in-force block of annuities through operations.

Interest expense on notes payable decreased 30 percent to $6.8 million in the third quarter of 1996 primarily due to the repayment in the third quarter of 1996, of $148.7 million principal amount outstanding under LPG's bank credit facility.

Interest expense on investment borrowings fluctuates based on investment borrowing activities.

Amortization related to operations in the third quarter of 1996 reflects the effect of purchase accounting to record the LPG Merger. Amortization related to operations in 1996 consists of amortization of goodwill, the cost of policies purchased for business in force at July 1, 1996, and the cost of policies produced subsequent to July 1, 1996.

Income tax expense in the third quarter of 1996 increased 44 percent from 1995, to $12.0 million, primarily due to the increase in pretax income. The effective tax rates of 40 percent for 1996 and 36 percent for 1995 exceeded the statutory corporate tax rate (35 percent) primarily because goodwill amortization cannot be deducted for federal income tax purposes.

Other Life Insurance Operations:

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$12.1	$12.7	$36.1	$38.0
Investment activity:				
Net investment income	18.0	19.1	53.3	53.7
Net trading losses	(.6)	(.8)	(1.5)	(1.6)
Net realized gains (losses)	.3	(2.3)	.2	(4.4)
Total revenues	29.8	28.7	88.1	85.8
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	14.5	17.5	43.2	47.3
Interest expense on annuities and financial products	5.2	5.2	16.5	14.0
Amortization related to operations	1.2	1.3	3.6	3.7
Amortization related to realized gains (losses)	.2	(1.8)	.5	(2.5)
Other operating costs and expenses	3.0	3.8	9.4	12.1
Income before taxes	5.5	2.7	15.0	11.7
Income tax expense	2.1	1.1	5.8	5.1
Net income	3.4	1.6	9.2	6.6
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	3.8	2.5	10.4	8.9
Net trading losses	(.4)	(.6)	(1.0)	(1.2)
Net realized losses	-	(.3)	(.2)	(1.1)
Net income	3.4	1.6	9.2	6.6

General. Other life insurance operations include Conseco's other wholly owned life insurance companies, Bankers National Life Insurance Company, National Fidelity Life Insurance Company and Lincoln American Life Insurance Company.

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

Net investment income and average invested assets of this segment did not change materially in 1996. Net investment income in 1996 reflects: (i) a decrease in income from other invested assets, offset by (ii) an increase in investment income related to separate account activities (which was $9.3 million and $6.6 million in the first nine months of 1996 and 1995, respectively, and is offset by a corresponding charge to interest expense on annuities and financial products).

Net realized gains (losses) often fluctuate from period to period. The other life insurance operations sold $76.5 million and $40.0 million of fixed maturity investments in the third quarter of 1996 and 1995, respectively, and $213.2 million and $74.2 million in the first nine months of 1996 and 1995, respectively. Net realized losses in the 1995 periods included a $1.5 million writedown of corporate securities as a result of conditions which caused the Company to conclude that a decline in the fair value of the securities was other than temporary.

Insurance policy benefits and change in future policy benefits relate solely to policies with mortality and morbidity features. These benefits decreased in 1996 as a result of improved mortality experience.

Interest expense on annuities and financial products increased in 1996 primarily as a result of increased charges related to investment income from separate accounts (see net investment income), offset by a reduction in credited rates. The average rate credited on all insurance liabilities (other than separate accounts where the credited amount is based on investment income from the segregated investments) was approximately 6.8 percent and 7.0 percent at September 30, 1996 and 1995, respectively.

Fee-Based Operations:

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Revenues:				
Investment management	$ 11.3	$ 11.2	$ 33.2	$ 33.9
Commissions	6.3	3.7	19.2	9.4
Administrative services, net of directly related expenses	15.0	11.9	34.4	35.7
Total revenues	32.6	26.8	86.8	79.0
Less intercompany eliminations	(23.0)	(18.8)	(57.1)	(55.4)
Revenues reported	9.6	8.0	29.7	23.6
Net income attributable to:				
Investment management	4.2	5.1	12.8	15.6
Commissions	(1.2)	(.9)	(2.0)	(2.3)
Administrative services	8.9	6.8	21.6	20.4
Net income	11.9	11.0	32.4	33.7

Conseco's fee revenues include: (i) fees for investment management and mortgage origination and servicing; (ii) commissions earned for insurance and investment product marketing and distribution; and (iii) administrative fees for policy administration, data processing, product marketing and executive management services. Fees earned from services provided to consolidated entities are eliminated. Commission revenues increased in 1996 primarily due to the acquisition of certain property and casualty insurance brokerage businesses.

Restructuring Activities:

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Incentive earnings	$11.1	$ -	$11.1	$ -
Gain on sale of investment in Noble Broadcast Group, Inc.	-	-	30.4	-
Non-recurring restructuring charges	(11.1)	-	(12.5)	-
Income tax expense (benefit)	-	(8.4)	12.2	(74.9)
Minority interest	-	-	.5	-
Net income	-	8.4	17.7	74.9

The Partnership II Agreement provided that Conseco's ownership interest in ALH would increase if returns to the limited partners were in excess of prescribed targets. The termination of Partnership II caused such targets to be exceeded, resulting in incentive earnings of $11.1 million (see "Acquisition of American Life Holdings, Inc." in the notes to the consolidated financial statements).

Restructuring income in the first nine months of 1996 also included a gain from the sale of Conseco's investment in Noble Broadcast Group, Inc. ("Noble"). Such gain represents an annualized pre-tax return of approximately 230 percent. Conseco acquired an interest in Noble (a private company which owned and operated radio stations) in 1995 in return for providing Noble with $37 million of subordinated debt financing. Income tax expense was reduced by $8.4 million in the third quarter of 1995, and by $66.5 million in the second quarter of 1995 as a result of the release of deferred income taxes previously accrued on undistributed income related to CCP and BLH, respectively.

Non-recurring restructuring expenses were incurred primarily in conjunction with the consolidation of LPG's and ALH's operations with Conseco's home office operations.

Interest and Other:

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
	(Dollars in millions)			
Net investment income	$11.8	$ 3.4	$20.3	$ 6.7
Total revenues	11.8	.9	21.2	2.6
Interest expense on notes payable	19.7	14.6	51.4	28.1
Other expenses	.1	2.0	2.4	18.8
Income tax benefit	2.5	7.5	14.5	17.9
Loss before extraordinary charge	5.5	8.2	18.1	26.4
Extraordinary charge on extinguishment of debt	(.6)	-	(9.9)	-
Net loss	6.2	8.2	28.0	26.4

The "Interest and Other" segment primarily includes investment income earned on the investments of the holding companies and financing costs for debt on which Conseco is directly liable.

Net investment income increased in the 1996 periods as a result of interest on a surplus debenture receivable from a former CCP subsidiary which is eliminated in consolidation.

Interest expense on notes payable increased in the first nine months of 1996 as a result of: (i) borrowings under the Credit Agreement used to finance the CCP Merger and the purchase of additional shares of BLH; (ii) interest expense on the $200 million 10.5 percent senior notes issued by CCP, which became a direct obligation of Conseco at the CCP Merger date; (iii) borrowings under the Credit Agreement and the new bridge loan used to finance a portion of the ALH Transaction and the ALH Capital Contribution; and (iv) borrowings under the Credit Agreement used to repay amounts borrowed under LPG's former bank credit facility.

SALES

In accordance with generally accepted accounting principles, the insurance policy income shown on our consolidated statement of operations consists of premiums we receive on policies which have life contingencies or morbidity features. For annuity and universal life contracts without such features, accounting rules dictate that premiums collected are not reported as revenues, but rather as deposits to insurance liabilities. We recognize revenues for these products over time in the form of investment income and surrender or other charges.

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

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Senior market operations	$378.6	$357.7	$1,136.5	$1,143.7
Annuity operations	322.5	304.6	1,028.7	1,204.3
LPG life insurance operations	149.3	144.0	453.6	410.4
Other life insurance operations	16.5	19.3	54.0	59.2
Total premium collections	$866.9	$825.6	$2,672.8	$2,817.6

Premiums collected by senior market operations for the third quarter of 1996 were $378.6 million, of which $64.8 million were recorded as deposits to policy liability accounts. This compares to $357.7 million collected and $58.6 million recorded as deposits to policy liability accounts in the third quarter of 1995. Premiums collected by BLH for the first nine months of 1996 were $1,136.5 million, of which $175.9 million were recorded as deposits to policy liability accounts. This compares to $1,143.7 million collected and $215.4 million recorded as deposits to policy liability accounts in the first nine months of 1995. Collected premiums by type were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Individual health:				
Medicare supplement	$150.3	$135.3	$ 463.0	$ 441.2
Long-term care	49.3	39.7	142.2	116.9
Other	18.9	21.8	59.1	71.9
Total individual health	218.5	196.8	664.3	630.0
Annuities	60.4	57.6	169.0	208.2
Individual life	24.8	23.2	73.3	71.5
Group and other	74.9	80.1	229.9	234.0
Total	$378.6	$357.7	$1,136.5	$1,143.7

Medicare supplement premiums increased 11 percent in the third quarter of 1996 and increased 4.9 percent in the first nine months of 1996 compared to the same periods in 1995. Such premiums accounted for 41 percent of total collected premiums in 1996, compared to 39 percent in 1995. The number of new Medicare supplement policies sold in the first nine months of 1996 totaled 33,777, down 30 percent compared to the first nine months of 1995. Annualized new business premiums from such new sales totaled $32.8 million in the first nine months of 1996, compared to $43.4 million in the first nine months of 1995. The decline in new Medicare supplement premiums reflects continued price competition and efforts by BLH's agents to conserve existing policies.

Long-term care premiums increased 24 percent in the third quarter of 1996 and 22 percent in the first nine months of 1996, compared to the same periods in 1995. Such premiums accounted for 13 percent of total collected premiums in 1996, compared to 10 percent in 1995. The continued growth in this product line reflects new product introductions, the competitiveness of BLH's products, the success of agent cross-selling activities, increased consumer awareness and demand and improved persistency on a larger basis of renewal premiums. Annualized premiums from new sales were $32.1 million in the first nine months of 1996, up 9.2 percent over the same period in 1995.

Annuity premiums increased 4.9 percent in the third quarter of 1996 and decreased 19 percent in the first nine months of 1996 compared to the same periods in 1995. Annuity sales throughout the industry have been negatively affected during the past several quarters by relatively lower interest rates, which have increased the attractiveness of competing products.

Collected premiums for other individual health policies decreased 13 percent in the third quarter of 1996 and decreased 18 percent in the first nine months of 1996, compared to the same periods in 1995. The decrease, which was anticipated, follows steps taken previously to improve the profitability of the comprehensive major medical product included in this category.

Premiums collected by the annuity operations in the first nine months of 1996 were $1,028.7 million, of which $931.2 million were recorded as deposits to insurance liability accounts. This compares to $1,204.3 million collected and $1,129.1 million recorded as deposits to insurance liability accounts in the first nine months of 1995. Total premiums collected through professional independent producers were $819.6 million in the first nine months of 1996, a 16 percent decrease, and comprised 80 percent of collected premiums. Total premiums collected through educator market specialists were $207.6 million in the first nine months of 1996, an 8.7 percent decrease, and comprised 20 percent of collected premiums. Total premiums collected through other distribution channels were $1.5 million in the first nine months of 1996, compared to $2.1 million in 1995.

Premiums collected by LPG life insurance operations in the first nine months of 1996 were $453.6 million, of which $394.4 million were recorded as deposits to policy liability accounts. This compares to $410.4 million collected and $347.7 million recorded as deposits to policy liability accounts in the first nine months of 1995. Premiums collected by LPG in the third quarter of 1996 were $149.3 million, of which $129.3 million were recorded as deposits to policy liability accounts. This compares to $144.0 million collected and $121.1 million recorded as deposits to liability accounts in the third quarter of 1995. Collected premiums by type were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Universal life	$ 86.8	$ 87.5	$262.5	$240.8
Individual whole and term life	10.4	10.6	35.8	33.9
Accident and health	5.7	8.2	14.4	17.7
Annuities	46.4	37.7	140.9	118.0
Total	$149.3	$144.0	$453.6	$410.4

Premiums collected by other life insurance operations decreased 15 percent to $16.5 million in the third quarter of 1996 and decreased 8.8 percent to $54.0 million in the first nine months of 1996 compared to the same periods in 1995. Conseco's other wholly owned subsidiaries were not actively marketing new products during the reported periods.

LIQUIDITY AND CAPITAL RESOURCES

Changes in the consolidated balance sheet between December 31, 1995, and September 30, 1996, reflect growth through operations, changes in the fair value of actively managed fixed maturity securities and the capital and financing transactions described in the notes to the consolidated financial statements.

In accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"), Conseco records its actively managed fixed maturity investments at estimated fair value. At September 30, 1996, the amortized cost of such investments was decreased by $178.2 million as a result of the SFAS 115 adjustment, compared to an increase of $608.2 million at December 31, 1995. The change in unrealized appreciation (depreciation) resulted from an increasing interest rate environment in the first nine months of 1996, which generally caused the fair value of fixed maturities to decrease.

Minority interest decreased as a result of: (i) adjustments as a result of SFAS 115; (ii) BLH's purchases of its outstanding common stock; (iii) dividends paid to the minority interest; (iv) the ALH Transaction; and (v) the ALH Preferred Stock Purchase; offset by (vi) the income attributable to minority interest. Changes to minority interest are further described in the notes to the consolidated financial statements.

The increase in shareholders' equity in the first nine months of 1996 resulted primarily from: (i) the issuance of the PRIDES; (ii) the common stock issued to complete the LPG Merger; (iii) the exercise of stock options; and (iv) the increase in retained earnings attributable to the Company's operations; partially offset by (v) the change in unrealized appreciation (depreciation) to reflect the decrease in the estimated fair value of Conseco's actively managed fixed maturity securities and (vi) stock repurchases.

Dividends declared on common stock for the nine months ended September 30, 1996, were $.1025 per share. On August 8, 1996, the Company's Board of Directors increased the quarterly cash dividend to be paid on October 1, 1996 from 2 cents per share to 6-1/4 cents per share.

The following table summarizes book value per common share and certain financial ratios as of and for the nine months ended September 30, 1996, and the year ended December 31, 1995:

	September 30, 1996	December 31, 1995
Book value per common share:		
As reported	$25.22	$20.44
Excluding unrealized appreciation (depreciation) (a)	25.92	17.66
Pro forma (a), (b)	26.90	
Ratio of earnings to fixed charges:		
As reported	1.61X	1.57X
Excluding interest on annuities and financial products	4.32X	3.80X
Ratio of earnings to fixed charges and preferred dividends:		
As reported	1.48X	1.50X
Excluding interest on annuities and financial products	2.97X	3.06X
Ratio of statutory earnings to cash interest (c)	4.11X	3.79X
Ratio of debt for which Conseco is directly liable to total capital of Conseco only:		
As reported	.36X	.44X
Excluding unrealized appreciation (depreciation) (a)	.36X	.47X
Ratio of debt for which Conseco is directly liable and debt of BLH to total capital of Conseco and BLH:		
As reported	.43X	.50X
Excluding unrealized appreciation (depreciation) (a)	.42X	.52X
Ratio of total debt to total capital:		
As reported	.43X	.49X
Excluding unrealized appreciation (depreciation) (a)	.43X	.53X

(a) Excludes the effect of reporting fixed maturity securities at fair value.

(b) Pro forma book value per share at September 30, 1996, is presented as if the PRIDES were converted into Conseco common stock as of that date.

(c) Statutory earnings represent gain from operations before interest (except interest on annuities and financial products) and income tax of the consolidated life insurance subsidiaries as reported for statutory accounting purposes plus income before interest and income tax of all non-life companies. Cash interest includes interest, except interest on annuities and financial products, of Conseco and the consolidated subsidiaries and BLH that is required to be paid in cash.

INVESTMENTS

At September 30, 1996, the amortized cost and estimated fair value of fixed maturity securities (all of which were actively managed) were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(Dollars in millions)		
United States Treasury securities and obligations of United States government corporations and agencies	$ 279.3	$ 2.6	$ 3.1	$ 278.8
Obligations of states and political subdivisions and foreign government obligations	219.2	2.5	3.5	218.2
Public utility securities	2,237.6	19.8	62.4	2,195.0
Other corporate securities	8,489.1	66.3	158.7	8,396.7
Mortgage-backed securities	4,912.8	29.1	70.8	4,871.1
Total fixed maturity securities	$16,138.0	$120.3	$298.5	$15,959.8

The following table sets forth the investment ratings of fixed maturity securities at September 30, 1996 (designated categories include securities with "+" or "-" rating modifiers). The category assigned is the highest rating by a nationally recognized statistical rating organization, or as to $541.9 million fair value of fixed maturities not rated by such firms, the rating assigned by the National Association of Insurance Commissioners ("NAIC"). For purposes of the table, NAIC Class 1 securities are included in the "A" rating; Class 2, "BBB"; Class 3, "BB" and Classes 4 to 6, "B and below."

Investment rating	Percent of Fixed maturities	Percent of Total investments
AAA	35%	30%
AA	10	9
A	25	22
BBB	25	22
Investment grade	95	83
BB	3	3
B and below	2	2
Below investment grade	5	5
Total fixed maturities	100%	88%

At September 30, 1996, our below investment grade fixed maturity securities had an amortized cost of $910.4 million and an estimated fair value of $886.5 million.

During the first nine months of 1995, we recorded writedowns of fixed maturity securities of $15.9 million as a result of changes in conditions which caused us to conclude that a decline in fair value of the investments was other than temporary. There were no such writedowns in 1996. At September 30, 1996, fixed maturity securities in default as to the payment of principal or interest had an aggregate amortized cost of $7.2 million and a fair value of $7.6 million.

Sales of invested assets (primarily fixed maturity securities) during the first nine months of 1996 generated proceeds of $5.0 billion, net realized gains of $16.3 million and net trading losses of $6.5 million. Sales of invested assets during the first nine months of 1995 generated proceeds of $3.4 billion, net realized gains of $93.7 million and net trading income of $2.8 million.

At September 30, 1996, fixed maturity investments included $4.9 billion (or 31 percent of all fixed maturity securities) of mortgage-backed securities, of which $2.6 billion were collateralized mortgage obligations ("CMOs") and $2.3 billion were pass-through securities. CMOs are securities backed by pools of pass-through securities and/or mortgages that are segregated into sections or "tranches." These securities provide for sequential retirement of principal, rather than the retirement of principal on a pro rata basis, such as occurs on pass-through securities through regular monthly principal payments.

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

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

The following table sets forth the par value, amortized cost and estimated fair value of mortgage-backed securities including CMOs at September 30, 1996, summarized by interest rates on the underlying collateral:

	Par value	Amortized cost	Estimated fair value
	(Dollars in millions)		
Below 7 percent	$1,713.1	$1,642.5	$1,611.7
7 percent - 8 percent	2,418.6	2,339.8	2,328.6
8 percent - 9 percent	566.5	557.9	557.7
9 percent and above	369.7	372.6	373.1
Total mortgage-backed securities	$5,067.9	$4,912.8	$4,871.1

The amortized cost and estimated fair value of mortgage-backed securities including CMOs at September 30, 1996, summarized by type of security, were as follows (dollars in millions):

		Estimated fair value	
Type	Amortized cost	Amount	Percent of fixed maturities
Pass-throughs and sequential and targeted amortization classes	$3,435.2	$3,401.4	22%
Support classes	205.9	211.0	2
Accrual (Z tranche) bonds	48.8	49.4	-
Planned amortization classes and accretion directed bonds	858.0	844.6	5
Subordinated classes	364.9	364.7	2
	$4,912.8	$4,871.1	31%

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

Planned amortization and targeted amortization classes are protected from prepayment risk; this risk is absorbed by support classes. As such, support classes are usually extremely sensitive to prepayments. Most of the support classes we own are higher- average-life instruments whose duration generally will not lengthen if interest rates rise further and will tend to shorten if interest rates decline. Since the par value of these bonds is in excess of amortized cost, higher prepayments will have the effect of increasing income.

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

Planned amortization classes and accretion-directed bonds are some of the most stable and liquid instruments in the mortgage-backed securities market. Planned amortization class bonds adhere to a fixed schedule of principal payments, provided that the underlying mortgage collateral prepays within an expected range. Changes in prepayment rates are first absorbed by support classes, which insulate the planned amortization classes from the consequences of both faster prepayments (average life shortening) and slower prepayments (average life extension).

Subordinated CMO classes have both prepayment and credit risk. The subordinated classes are used to lend credit enhancement to the senior securities and as such, both prepayment and credit risk associated with this class are generally higher than that of the senior securities. The credit risk of subordinated classes is derived from the negative leverage of owning a small percentage of the underlying mortgage loan collateral while bearing a majority of the risk of loss due to homeowners' defaults.

At September 30, 1996, the balance of mortgage loans was comprised of 89 percent commercial loans, 9 percent residential and 2 percent residual interests in collateralized mortgage obligations. Less than 1 percent of mortgage loans were noncurrent (loans which are two or more scheduled payments past due) at September 30, 1996. At September 30, 1996, our loan loss reserve was $4.3 million.

Investment borrowings averaged approximately $371.6 million during the first nine months of 1996, compared to approximately $460 million during the same period of 1995. Such borrowings were collateralized by investment securities with fair values approximately equal to the loan value. The weighted average interest rate on such borrowings was 5.4 percent and 5.6 percent during the first nine months of 1996 and 1995, respectively.

STATUTORY INFORMATION

Our insurance subsidiaries are required to follow statutory accounting practices ("SAP") prescribed or permitted by state insurance regulators. SAP differs in many respects from generally accepted accounting principles ("GAAP"). After appropriate eliminations of intercompany accounts, the Company's life insurance subsidiaries reported the following amounts to regulatory agencies at September 30, 1996 (dollars in millions):

Statutory capital and surplus	$1,021.3
Asset valuation reserve ("AVR")...........................	214.7
Interest maintenance reserve ("IMR")......................	258.5
Portion of surplus debenture carried as a liability	87.8
Total..	$1,582.3

At September 30, 1996, the ratio of such consolidated statutory account balances to consolidated statutory liabilities (excluding AVR, IMR, the portion of surplus debentures carried as a liability, liabilities from separate account business and short-term collateralized borrowings) was 9.4 percent, compared to a ratio of 10.2 percent at December 31, 1995. Decreases to such accounts due to payments made by the life insurance subsidiaries to non-life parent companies in 1996 (including dividend payments of $72.4 million and surplus debenture payments of $62.8 million) were largely offset by statutory earnings of such life insurance subsidiaries. The inclusion of LPG's insurance subsidiaries after the date of the LPG Merger was the primary reason for the decrease in such ratio.

In connection with BLH's acquisition, BLH increased the capital of one of its life insurance subsidiaries (Bankers Life Insurance Company of Illinois "BLI") by providing cash in exchange for a surplus debenture. The remaining balance of the surplus debenture of $400.0 million at September 30, 1996, is considered a part of BLI's statutory capital and surplus. Payments to BLH of principal and interest on the surplus debenture may be made from available funds only with the approval of the Illinois Department of Insurance ("DOI") when its Director is satisfied that the financial condition of BLI warrants that action. Such approval may not be withheld provided the surplus of BLI exceeds, after such payment, approximately $128.0 million. BLI's surplus at September 30, 1996, was $339.3 million. During the first nine months of 1996, BLI made a scheduled principal payment on the surplus debenture of $30.0 million plus accrued interest. All dividend payments by BLI are subject to prior written approval of the DOI. During the first nine months of 1996, BLI paid extraordinary dividends of $35.0 million to BLH.

BLI's ability to service its obligations under the surplus debenture is dependent upon its ability to receive dividends and tax sharing payments from its subsidiary, Bankers Life and Casualty Company ("BLC"). BLC may, upon prior notice to the DOI, pay dividends in any twelve-month period up to the greater of: (i) statutory income from operations for the prior year; or (ii) 10 percent of statutory capital and surplus at the end of the prior year. Additionally, as a condition to its 1992 acquisition, BLC agreed not to pay dividends if, immediately after such payment, BLC's ratio of adjusted capital to risk-based capital ("RBC") would be less than 100 percent. Calculations using the RBC formula indicate that BLC's adjusted capital is greater than twice its total RBC at September 30, 1996. Dividends in excess of maximum amounts prescribed by the state statutes may not be paid without DOI approval. BLC paid regular dividends to BLI of $59.6 million during the first nine months of 1996. During the remainder of 1996, BLC may pay additional dividends up to $26.4 million without regulatory approval.

During the first nine months of 1996, the wholly owned life insurance subsidiaries paid $37.4 million of ordinary dividends and made a scheduled principal payment on a surplus debenture of $29.0 million to Conseco. During the remainder of 1996, the wholly owned insurance subsidiaries may pay additional dividends up to $60.5 million without the permission of state regulatory authorities.

At the date of the LPG Merger, the capital of Wabash Life Insurance Company (a life insurance subsidiary of LPG and the parent of LPG's other life insurance subsidiaries, "Wabash") included two surplus debentures with an unpaid principal balance of $257.9 million. Wabash made scheduled principal payments of $3.8 million plus accrued interest on the surplus debentures during the three months ended September 30, 1996.

Statutory regulations restrict the amount of capital and surplus of life insurance subsidiaries that may be transferred to the parent in the form of dividends, loans or advances. Payments to LPG by Wabash of principal and interest on the surplus debentures may be made by Wabash from its available funds only when the Kentucky Department of Insurance is satisfied that the financial condition of Wabash warrants that action. Additionally, under the terms of the surplus debentures, payments of principal and interest may be made only to the extent the statutory capital and surplus of Wabash exceeds 25 percent of statutory liabilities exclusive of the surplus debentures. Wabash's statutory surplus at September 30, 1996, was $191.7 million, which exceeded the minimum required capital and surplus by $101.9 million.

The surplus of ALH's primary life insurance subsidiary, American Life and Casualty Insurance Company ("American Life and Casualty"), includes a surplus note with a balance of $50.0 million at September 30, 1996. The payment of dividends and other distributions, including surplus note payments, by American Life and Casualty to ALH is subject to regulation by the Iowa Insurance Division. Currently, American Life and Casualty may pay dividends or make other distributions without the prior approval of the Iowa Insurance Division, unless such payments, together with all other such payments within the preceding 12 months, exceed the greater of (i) American Life and Casualty's net gain from operations (excluding net realized capital gains or losses) for the preceding calendar year or (ii) 10 percent of its statutory surplus at the preceding December 31. For 1996, up to $31.0 million can be distributed as dividends and surplus note payments by American Life and Casualty (of which $9.8 million had been distributed through September 30, 1996). Dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by the Iowa Insurance Division. At September 30, 1996, American Life and Casualty had earned surplus of $113.2 million.

PART II - OTHER INFORMATION

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

PART II - OTHER INFORMATION

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

a) Exhibits.

10.8.13 Form of Promissory Note payable to the Registrant relating

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                to the Registrant's  Director,  Executive and Senior Officer
                Stock Purchase Plan.

       10.39    $100,000,000 Promissory Note of Conseco, Inc. dated
                September 30, 1996 ("Bridge  Facility") was filed as Exhibit
                10.1  to  the  Registration   Statement  on  Form  S-3  (No.
                333-14991) and is incorporated herein by reference.

       10.40    Waiver of NationsBank, N.A. (South), dated November 6, 1996,
                under the Bridge  Facility  was filed as Exhibit 10.2 to the
                Registration  Statement on Form S-3 (No.  333-14991)  and is
                incorporated herein by reference.

       10.41    Waiver of the banks, dated November 6, 1996, under the
                Conseco,  Inc. $500 million Senior Credit Facility was filed
                as Exhibit  10.3 to the  Registration  Statement on Form S-3
                (No. 333-14991) and is incorporated herein by reference.

       10.42    Commitment Letter dated September 13, 1996, by and among
                Conseco,  Inc.,  NationsBank,  N.A. and NationsBank  Capital
                Markets,  Inc. was filed as Exhibit 10.4 to the Registration
                Statement on Form S-3 (No.  333-14991)  and is  incorporated
                herein by reference.

       11.1     Computation of Earnings Per Share - Primary.

       11.2     Computation of Earnings Per Share - Fully Diluted.

       12.1     Computation of Ratio of Earnings to Fixed Charges.

       27.0     Financial Data Schedule.

       99.1     Pro Forma Consolidated Statement of Operations of Conseco,
                Inc. and Subsidiaries for transactions that have already
                occurred.

       99.2     Pro Forma Consolidated Financial Statements of Conseco, Inc.
                and Subsidiaries.
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b) Reports on Form 8-K.

A report on Form 8-K dated August 2, 1996, was filed with the Commission to report under Item 2, the acquisition of Life Partners Group, Inc.

A report on Form 8-K dated August 25,1996, was filed with the Commission to report under Item 5, the following events: (i) the signing of a definitive merger agreement with American Travellers Corporation; (ii) the signing of a definitive merger agreement with Capitol American Financial Corporation; (iii) the intention to acquire the common stock of American Life Holdings, Inc. not already owned by Conseco; (iv) the intention to acquire the common stock of Bankers Life Holding Corporation not already owned; and (v) the call for redemption of all of Conseco's outstanding Series D Cumulative Convertible Preferred Stock.

A report on Form 8-K dated September 25, 1996, was filed with the Commission to report under Item 5, the following events: (i) the signing of a merger agreement with Transport Holdings Inc.; (ii) the redemption of Conseco's Series D Cumulative Convertible Preferred Stock; and (iii) the completion of the acquisition of all of the common shares of American Life Holdings, Inc. not already owned by Conseco.

SIGNATURE

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

CONSECO, INC.

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Dated: November 13, 1996            By:   /s/ ROLLIN M. DICK
                                          ------------------
                                          Rollin M. Dick,
                                          Executive Vice President and
                                           Chief Financial Officer
                                           (authorized officer and principal
                                           financial officer)
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EXPLANATORY NOTE

In connection with the Conseco, Inc. Director, Executive and Senior Officer Stock Purchase Plan (the "Plan"), Conseco, Inc. agreed to lend to participants in the Plan an amount equal to the interest payable by participants under bank loans made to each participant (less dividends paid on the shares of stock purchased under the Plan). The form of Promissory Note executed by each participant is attached. As of October 1, 1996, the aggregate amount of the loans made by Conseco to Plan participants was $905,947.28, and the amounts of the loans made to directors and executive officers (or their affiliates) of the Registrant were as follows: Stephen C. Hilbert, $298,060; Ngaire E. Cuneo, $45,168; Rollin M. Dick, $180,643; Donald F. Gongaware, $90,321; Lawrence W. Inlow, $90,951; David R. Decatur, $9,431; James D. Massey, $23,262; and Dennis E. Murray, Sr., $103,869.

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PROMISSORY NOTE

$1~ Dated: June 28, 1996
Carmel, Indiana

For value received, the undersigned, 2~ ("Maker"), promises to pay to

the order of Conseco Services, LLC, an Indiana limited liability company (the "Holder"), or its assigns, at such place as the holder hereof may from time to time designate in writing, in lawful money of the United States which shall be legal tender in payment of all debts and dues public and private at the time of payment, the principal sum of 3~ ($1~) or, if less, the aggregate unpaid principal amount of all advances made by Conseco Services, LLC to or on behalf of the undersigned to pay interest under the Credit Agreement referred to below. The undersigned also promises to pay interest on the unpaid balance of the Promissory Note (the "Note") at the rate and times hereinafter provided.

Interest on the principal balance hereof from time to time remaining unpaid prior to maturity shall accrue at the variable rate per annum equal to the lowest interest rate per annum being paid by Conseco, Inc. under its most senior borrowing, calculated on the basis of a 360-day year counting the actual number of days elapsed. However, after the Maturity Date (as hereinafter defined) or while there exists an Event of Default (as hereinafter defined), interest shall accrue at such rate plus three percent (3.0%) per annum. All unpaid principal and interest shall be due and payable on the same date as the principal amounts are due and payable by the undersigned for any loan under that certain Credit Agreement, dated as of May 13, 1996, among the undersigned and Bank of America National Trust and Savings Association. Prepayments of principal and interest must be made in an amount equal to the amount of any dividends received on the common and preferred stock purchased by the undersigned under the Conseco, Inc. Director, Executive and Senior Officer Stock Purchase Plan and within three (3) days of the receipt of such dividends.

Maker may prepay this Note in full at any time or in part from time to time without premium or penalty.

The occurrence of one or more of the following events shall constitute an event of default ("Event of Default") under this Note: (a) default is made in the payment of any installment hereof, either principal or interest, or in the payment of any other sum due hereunder, on the day when the same shall be due and payable hereunder and such default in payment continues for ten (10) days;
(b) any proceeding shall be commenced or any petition shall be filed seeking relief with respect to Maker under any bankruptcy, insolvency or similar law;
(c) a receiver, trustee, custodian, sequestrator or similar official shall be appointed with respect to Maker or for a substantial part of its property; or
(d) the dissolution or termination of existence, or business failure of Maker. Upon the occurrence of an Event of Default hereunder, the Holder hereof may, at its option, declare the entire unpaid principal of and accrued interest on this Note immediately due and payable, without notice, demand or presentment, all of which are hereby waived, and the Holder may offset against this Note any sum

or sums owed by the Holder hereof to Maker. Upon the occurrence of an Event of Default under Section (b), (c) or (d) above, the entire unpaid principal of and accrued interest on this Note shall become immediately due and payable, without notice, demand or presentment, all of which are hereby waived. The Holder may offset against this Note any sum or sums owed by the Holder hereof to Maker including any amounts Holder may owe Maker as an employee, and Maker hereby authorizes Holder to withhold any such amounts from any payroll deposit or paycheck payable to Maker.

Maker agrees to pay immediately upon demand all reasonable costs and expenses of the Holder, including reasonable attorneys' fees, (i) if, after an Event of Default, this Note is placed in the hands of an attorney or attorneys for collection, or (ii) if the Holder attempts to have any stay or injunction prohibiting the enforcement or collection of the Note lifted by any bankruptcy or other court, and any subsequent proceedings or appeals from any order or judgment entered in any such proceeding.

The maker and any endorsers of this note jointly and severally waive presentment for payment, notice of protest, dishonor and demand, protest, and diligence in bringing suit.

This Note shall be construed according to and governed by the laws of the State of Indiana.

Executed in Carmel, Indiana.

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EXHIBIT 11.1

CONSECO, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE - PRIMARY
(unaudited)

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
Shares outstanding, beginning of period	41,866,624	40,422,498	40,515,914	44,369,700
Weighted average shares issued (acquired) during the period:				
New shares issued	16,090,989	-	5,363,663	-
Treasury stock acquired	(7,992)	-	(589,950)	(3,685,028)
Exercise of stock options	156,387	25,660	1,281,506	83,634
Preferred stock conversions	1,802,132	-	860,631	-
Common equivalent shares related to:				
Stock options at average market price	3,093,340	1,439,812	2,585,119	1,396,478
Employee stock plans	1,111,842	910,436	1,057,862	869,864
PRIDES	7,472,187	-	6,870,504	-
Weighted average primary shares outstanding	71,585,509	42,798,406	57,945,249	43,034,648
Net income for primary earnings per share:				
Net income as reported	$78,078,000	$43,530,000	$174,487,000	$167,821,000
Less Series D preferred stock dividends	(790,000)	(4,607,000)	(9,807,000)	(13,820,000)
Net income for primary earnings per share	$77,288,000	$38,923,000	$164,680,000	$154,001,000
Net income per primary common share	$1.08	$.91	$2.84	$3.58

EXHIBIT 11.2

CONSECO, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE - FULLY DILUTED
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
Weighted average primary shares outstanding....................	71,585,509	42,798,406	57,945,249	43,034,648
Incremental common equivalent shares:				
Related to options and employee stock plans based on market price at the end of the period..................	796,958	33,800	1,392,285	127,544
Related to Series D convertible preferred stock.............	6,647,844	8,893,530	8,032,461	8,893,530
Weighted average fully diluted shares outstanding.............	79,030,311	51,725,736	67,369,995	52,055,722
Net income for fully diluted earnings per share................	$78,078,000	$43,530,000	$174,487,000	$167,821,000
Net income per fully diluted common share......................	$.99	$.84	$2.59	$3.22

ARTICLE 7

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR CONSECO, INC. DATED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS	
FISCAL YEAR END	DEC 31 1996	
PERIOD END	SEP 30 1996	
DEBT HELD FOR SALE	15,959,800	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	104,200	
MORTGAGE	766,300	[1]
REAL ESTATE	0	
TOTAL INVEST	18,080,000	
CASH	0	
RECOVER REINSURE	400,600	
DEFERRED ACQUISITION	2,388,100	[2]
TOTAL ASSETS	23,176,000	
POLICY LOSSES	17,247,800	
UNEARNED PREMIUMS	204,300	
POLICY OTHER	305,700	
POLICY HOLDER FUNDS	392,900	
NOTES PAYABLE	1,600,100	[3]
PREFERRED MANDATORY	0	
PREFERRED	267,100	
COMMON	1,054,500	
OTHER SE	634,300	[4]
TOTAL LIABILITY AND EQUITY	23,176,000	
PREMIUMS	1,193,200	
INVESTMENT INCOME	926,700	
INVESTMENT GAINS	9,800	[5]
OTHER INCOME	68,900	[6]
BENEFITS	1,348,600	[7]
UNDERWRITING AMORTIZATION	161,700	[8]
UNDERWRITING OTHER	207,600	
INCOME PRETAX	353,000	
INCOME TAX	134,100	
INCOME CONTINUING	218,900	
DISCONTINUED	0	
EXTRAORDINARY	(18,600)	
CHANGES	0	
NET INCOME	174,500	
EPS PRIMARY	2.84	
EPS DILUTED	2.59	
RESERVE OPEN	0	
PROVISION CURRENT	0	
PROVISION PRIOR	0	
PAYMENTS CURRENT	0	
PAYMENTS PRIOR	0	
RESERVE CLOSE	0	
CUMULATIVE DEFICIENCY	0	

[1] Includes $372,500 of mortgage loans and $393,800 of credit tenant loans.

[2] Includes $541,000 of cost of policies produced and $1,847,100 of cost of policies purchased.

[3] Includes (i) notes payable of Conseco of $1,169,000 and (ii) notes payable of Bankers Life Holding Corporation of $418,100 and American Life Holdings, Inc. of $13,000 which are not direct obligations of Conseco.

[4] Includes retained earnings of $681,300, offset by net unrealized depreciation of securities of $47,000.

[5] Includes net realized gains of $16,300 and net trading losses of $6,500.

[6] Includes fee revenue of $29,700, restructuring income of $30,400 and other income of $8,800.

[7] Includes insurance policy benefits of $858,300, change in future policy benefits of $15,900 and interest expense on annuities and financial products of $474,400.

Includes amortization of cost of policies purchased of $94,300, amortization of cost of policies produced of $51,800 and amortization related

[8] to realized gains of $15,600.

CONSECO, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

The unaudited pro forma consolidated statement of operations of Conseco, Inc. ("Conseco") for the nine months ended September 30, 1996, presents the consolidated operating results for Conseco as if the following transactions, which have already occurred, had occurred on January 1, 1995: (1) the issuance of 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities Convertible Preferred Stock ("PRIDES") of Conseco in January 1996;
(2) the BLH tender offer for and repurchase of its 13 percent senior subordinated notes due 2002 and related financing transactions completed in March 1996 (the "BLH Tender Offer"); (3) the acquisition of Life Partners Group, Inc. ("LPG") (the "LPG Merger"); (4) the call for redemption of Conseco's Series D Convertible Preferred Stock (the "Series D Call") completed on September 26, 1996; and (5) the acquisition of all of the outstanding common stock of American Life Holdings, Inc. ("ALH"), not previously owned by Conseco, and related transactions (the "ALH Transaction") completed on September 30, 1996.

The pro forma consolidated statement of operations is based on the historical financial statements of Conseco and LPG and should be read in conjunction with their historical financial statements and notes included in Conseco's Form 10-Q for the quarterly period ended September 30, 1996. The pro forma data are not necessarily indicative of the results of operations or financial condition of Conseco had these transactions occurred on January 1, 1995, nor the results of future operations. Conseco anticipates cost savings and additional benefits as a result of the transactions included in the pro forma financial statements. Such benefits and any other changes that might have resulted from managements' changes have not been included as adjustments to the pro forma consolidated financial statements. Certain amounts from the prior periods have been reclassified to conform to the current presentation.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Dollars in millions)
(unaudited)

	Conseco as reported	Pro forma adjustments reflecting various other transactions	Conseco pro forma subtotal	LPG historical at June 30, 1996	Pro forma adjustments reflecting the LPG Merger	Conseco pro forma subtotals(a)
Revenues:						
Insurance policy income	$1,193.2	$ -	$1,193.2	$155.8	$ -	$1,349.0
Investment activity:						
Net investment income	926.7		926.7	148.3	7.4 (6) (.2)(7) 2.2 (8) (.6)(9)	1,083.8
Net trading losses	(6.5)		(6.5)			(6.5)
Net realized gains	16.3		16.3	2.3	1.9 (6)	20.5
Fee revenue	29.7		29.7			29.7
Restructuring income	30.4		30.4			30.4
Other income	8.8		8.8	2.6		11.4
Total revenues	2,198.6		2,198.6	309.0	10.7	2,518.3
Benefits and expenses:						
Insurance policy benefits and change in future policy benefits	874.2		874.2	83.0		957.2
Interest expense on annuities and financial products	474.4		474.4	75.1		549.5
Interest expense on notes payable	84.6	(1.2)(1) (1.6)(2)	81.8	11.8	(.6)(9) (.4)(10)	92.6
Interest expense on investment borrowings	15.1		15.1	2.1		17.2
Amortization related to operations	174.1		174.1	65.6	(2.4)(11) 5.6 (12)	242.9
Amortization related to realized gains	15.6		15.6	0.1	1.8 (13)	17.5
Acquisition and merger expenses	-			7.9	(7.9)(14)	-
Other operating costs and expenses	207.6		207.6	35.9		243.5
Total benefits and expenses	1,845.6	(2.8)	1,842.8	281.5	(3.9)	2,120.4
Income before income taxes, minority interest and extraordinary charge	353.0	2.8	355.8	27.5	14.6	397.9
Income tax expense	134.1	1.0 (3)	135.1	11.6	5.5 (15)	152.2
Income before minority interest and extraordinary charge	218.9	1.8	220.7	15.9	9.1	245.7
Less minority interest	25.8	.1 (4)	25.9			25.9
Income before extraordinary charge	$ 193.1	$ 1.7	$ 194.8	$ 15.9	$ 9.1	$ 219.8
Earnings per common share and common equivalent share:						
Primary:						
Weighted average shares outstanding	57.9	.6 (5)	58.5		10.7 (16)	69.2
Income before extraordinary charge	$3.16		$3.16			$3.03
Fully diluted:						
Weighted average shares outstanding	67.4	.6 (5)	68.0		10.7 (16)	78.7
Income before extraordinary charge	$2.87		$2.86			$2.79

(a) Amounts are carried forward to page 3.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Dollars in millions)
(unaudited)

	Conseco pro forma subtotals(a)	Pro forma adjustments reflecting the Series D Call	Conseco pro forma subtotals	Pro forma adjustments reflecting the ALH Transaction	Conseco pro forma totals
Revenues:					
Insurance policy income	$1,349.0		$1,349.0	$ -	$1,349.0
Investment activity:					
Net investment income	1,083.8		1,083.8	0.9 (19) (0.3)(20)	1,084.4
Net trading losses	(6.5)		(6.5)		(6.5)
Net realized gains	20.5		20.5	2.5 (19)	23.0
Fee revenue	29.7		29.7		29.7
Restructuring income	30.4		30.4		30.4
Other income	11.4		11.4		11.4
Total revenues	2,518.3		2,518.3	3.1	2,521.4
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	957.2		957.2		957.2
Interest expense on annuities and financial products	549.5		549.5		549.5
Interest expense on notes payable	92.6		92.6	8.7 (20) (.6)(21)	100.7
Interest expense on investment borrowings	17.2		17.2		17.2
Amortization related to operations	242.9		242.9	(17.3)(19) 1.1 (19) 16.2 (19)	242.9
Amortization related to realized gains	17.5		17.5	4.8 (19)	22.3
Acquisition and merger expenses	-				-
Other operating costs and expenses	243.5		243.5		243.5
Total benefits and expenses	2,120.4		2,120.4	12.9	2,133.3
Income before income taxes, minority interest and extraordinary charge	397.9		397.9	(9.8)	388.1
Income tax expense	152.2		152.2	(1.3)(22) (3.0)(22)	147.9
Income before minority interest and extraordinary charge	245.7		245.7	(5.5)	240.2
Less minority interest	25.9		25.9	(5.6)(23)	20.3
Income before extraordinary charge	$ 219.8		$ 219.8	$ .1	$ 219.9
Earnings per common share and common equivalent share:					
Primary:					
Weighted average shares outstanding	69.2	8.0 (17)	77.2		77.2
Income before extraordinary charge	$3.03		$2.85 (18)		$2.85
Fully diluted:					
Weighted average shares outstanding	78.7		78.7		78.7
Income before extraordinary charge	$2.79		$2.79		$2.79

(a) Amounts have been carried forward from page 2.
The accompanying notes are an integral part of the pro forma consolidated financial statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

PRO FORMA ADJUSTMENTS

Various Other Transactions

(1) On January 23, 1996, Conseco completed the offering of 4.37 million shares of PRIDES. Proceeds from the offering of approximately $258 million (after underwriting and other associated costs) were used to repay amounts outstanding under a senior credit facility (the "Conseco Credit Facility").

Each share of PRIDES will pay dividends at the annual rate of 7 percent of the $61.125 liquidation preference per share (equivalent to an annual amount of $4.279 per share), payable quarterly. On February 1, 2000, unless either previously redeemed by Conseco or converted at the option of the holder, each share of PRIDES will mandatorily convert into two shares of Conseco common stock, subject to adjustment in certain events. Shares of PRIDES are not redeemable prior to February 1, 1999. During the period February 1, 1999 through February 1, 2000, Conseco may redeem any or all of the outstanding shares of PRIDES. Upon such redemption, each holder will receive, in exchange for each share of PRIDES, the number of shares of Conseco common stock equal to (A) the sum of (i) $62.195, declining after February 1, 1999 to $61.125, and (ii) accrued and unpaid dividends divided by (B) the market price of Conseco common stock at such date, but in no event less than 1.71 shares of Conseco common stock. The following summarizes the sources and uses of funds related to this transaction (dollars in millions):

Sources of funds:	
Gross proceeds from issuance of PRIDES	$267.1
Underwriting and other transaction expenses (charged to paid-in capital)	(9.2)
Net proceeds	257.9
Uses of funds:	
Principal repaid on Conseco Credit Facility	(245.0)
Payment of accrued interest	(2.6)
Funds available	$ 10.3

Interest expense is adjusted to reflect the repayment of a portion of the Conseco Credit Facility using a portion of the proceeds from the issuance of the PRIDES.

(2) In March 1996, BLH completed a tender offer pursuant to which it repurchased $148.3 million principal amount of its 13 percent senior subordinated notes for $173.2 million. The repurchase was made using the proceeds from a revolving credit facility of BLH (the "BLH Credit Facility") entered into in February 1996. Maximum principal amounts which can be borrowed under the agreement total $400 million (including a competitive bid facility in the aggregate principal amount of up to $100 million). Amounts borrowed under the new facility are due in 2001 and accrue interest at a rate of LIBOR plus an applicable margin of between 50 and 75 basis points, depending on BLH's ratio of consolidated net worth. Additional proceeds were borrowed under the BLH Credit Facility to repay the existing $110 million principal balance due under the bridge loan facility and for other corporate purposes. The following summarizes the sources and uses of funds related to the tender offer and related financing transactions:

Sources of funds:	
Amounts borrowed under the BLH Credit Facility	$310.0
Uses of funds:	
Related to 13 percent senior subordinated notes:	
Principal tendered	$148.3
Premium paid in tender offer	24.8
Payment of accrued interest	6.6
Related to bridge loan facility:	
Principal repaid	110.0
Payment of accrued interest	.5
Debt issuance costs	3.7
Other corporate purposes, including repayment of amounts borrowed to purchase BLH common stock	16.1
Total uses	$310.0

Interest expense is adjusted to reflect reduced interest expense on the $148.3 million principal balance of BLH's senior subordinated notes which were tendered, offset by interest expense on amounts borrowed under the BLH revolving credit facility.

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

(4) The minority interests' share of the pro forma adjustments is recognized.

(5) Primary and fully diluted weighted average shares outstanding are adjusted to reflect the issuance of the PRIDES.

LPG Merger

The acquisition of LPG will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire LPG will be allocated to the assets and liabilities acquired based on their fair values as of the date of the LPG Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. In the LPG Merger, each outstanding share of LPG common stock was converted into .5833 shares of Conseco common stock. A total of 16.1 million shares of Conseco common stock (or equivalent shares) with a value of $586.8 million were issued to complete the LPG Merger.

Adjustments to the pro forma consolidated statement of operations to give effect to the LPG Merger as of January 1, 1995, are summarized below:

(6) Net investment income and net realized gains of LPG are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities and mortgage loans to their estimated fair value.

(7) Net investment income is reduced for the lost interest income on cash used to pay expenses incurred to complete the LPG Merger.

(8) After the LPG Merger, a subsidiary of Conseco will provide investment advisory services to LPG. Investment advisory fees incurred by LPG prior to the LPG Merger are eliminated. LPG's pro forma net investment income is not reduced to reflect the advisory fees to be paid under agreements with the subsidiary of Conseco since, in accordance with generally accepted accounting principles, such intercompany fees are eliminated in consolidation and the subsidiary of Conseco will provide such services without incurring additional costs.

(9) Net investment income and interest expense on notes payable are adjusted to reflect the following items which will be eliminated in consolidation after the LPG Merger: (i) actively managed fixed maturity securities of Conseco include $6.3 million of LPG notes; and (ii) actively managed fixed maturity securities of LPG include $25.1 million of Conseco notes and $4.5 million of notes of a subsidiary of Conseco.

(10) Interest expense on notes payable of LPG is adjusted as a result of restating notes payable of LPG to their estimated fair value and the anticipated repayment of LPG's bank debt, using additional borrowings from Conseco's credit facility (the "Conseco Credit Agreement").

(11) Amortization of the cost of policies produced, the historical cost of policies purchased and deferred revenues for policies sold by LPG prior to January 1, 1995, are replaced with the amortization of the cost of policies purchased (amortized in relation to estimated profits on the policies purchased with interest equal to the contract rates primarily ranging from 4.0 percent to 7.0 percent).

(12) LPG's historical amortization of goodwill is eliminated and replaced with the amortization of goodwill recognized in the LPG Merger. Such amortization is recognized over a 40-year period on a straight-line basis.

(13) Anticipated returns, including realized gains and losses, from the investment of policyholder balances are considered in determining the amortization of the cost of policies purchased. Amortization of the cost of policies purchased is adjusted to reflect amortization related to the pro forma net realized gains of LPG during 1996.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(14) Acquisition and merger expenses are reduced to eliminate the merger costs incurred by LPG during the six months ended June 30, 1996, in connection with the LPG Merger.

(15) Reflects the tax adjustments for all applicable pro forma adjustments at the appropriate rate for the specific item.

(16) Common shares outstanding are increased to reflect the shares issued in the LPG Merger.

Transactions related to the Series D Call

On August 27, 1996, Conseco called for redemption all outstanding shares of the Series D preferred stock at a redemption price plus accrued dividends of $52.916. At June 30, 1996, Conseco had approximately 5.7 million shares of Series D preferred stock outstanding with a carrying value of $269.4 million. Each Series D share is convertible at any time into shares of Conseco's common stock at a conversion price of $31.875 per common share (equivalent to 1.56860 shares of Conseco's common stock for each share of Series D preferred stock outstanding). The Series D preferred stock was redeemable at Conseco's option at any time subsequent to January 22, 1996, at a price of $52.275 per share (such price declines to $50 per share over the period through January 15, 2003). Dividends on the Series D preferred stock were paid quarterly at an annual rate of 6.5 percent. All outstanding shares of the Series D preferred stock were converted into common stock other than preferred shares with a carrying value of $.3 million which were redeemed in cash.

Adjustments to give effect to the Series D Call are summarized below:

(17) Primary weighted average shares outstanding are adjusted to reflect the issuance of common stock that each share of Series D preferred stock was converted into based on the stock's conversion provisions (1.56860 shares of Conseco's common stock for each share of Series D preferred stock converted). Such issuance had no effect on fully diluted average shares outstanding or fully diluted earnings per share since the Series D preferred stock was considered to have been converted for fully diluted calculations.

(18) Primary earnings per share are adjusted to reflect the elimination of the Series D preferred stock dividend and the increase in the Conseco common shares outstanding.

Transactions relating to the ALH Transaction

On September 30, 1996, Conseco acquired all of the common stock of ALH, not previously owned by Conseco or its affiliates, for a purchase price of approximately $165 million. ALH's former shareholders, other than Conseco, received $23.00 per common share. In addition, Conseco purchased all outstanding payment-in-kind preferred stock of ALH, not owned by Conseco. These transactions were financed using available cash and additional borrowings under the Conseco Credit Facility and the BLH Credit Facility. Hereinafter ALH refers to ALH or the former subsidiaries of ALH.

The sources and uses of the financing to complete the ALH Transaction are summarized below (dollars in millions):

Sources of funds:	
Available cash	$ 12.6
Conseco Credit Facility	25.0
BLH Credit Facility	140.0
Total sources	$177.6
Uses of funds:	
Purchase of all outstanding common stock of ALH, not owned by Conseco*	$165.0
Purchase of all outstanding payment-in-kind preferred stock of ALH, not owned by Conseco	12.6
Total uses	$177.6

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

*Excludes approximately 1.2 million shares of ALH common stock which were distributed to Conseco, the general partner of Conseco Capital Partners II, L.P ("Partnership II"), based on the returns earned by the limited partners on the ALH investment as defined by Partnership II's Partnership Agreement.

The pro forma adjustments are applied to the historical consolidated financial statements of Conseco using the step acquisition method of accounting. Under this method, the total purchase cost of the common stock of ALH, not already owned by Conseco, is allocated to the assets and liabilities acquired based on their relative fair values as of the date of acquisition, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. The values of the assets and liabilities of ALH included in Conseco's pro forma consolidated financial statements represent the combination of the following values: (1) the portion of ALH's net assets acquired by Conseco in the initial acquisition made by Partnership II is valued as of its acquisition date, September 29, 1994; (2) the portion acquired in the fourth quarter of 1995, is valued as of its assumed acquisition date; and (3) the portion of ALH's net assets acquired in the ALH Transaction is valued as of the assumed date of acquisition.

Adjustments to give effect to the ALH Transaction are summarized below:

(19) As described above, the ALH Transaction is accounted for as a step acquisition. The accounts of ALH are adjusted to reflect the step acquisition method of accounting as if the ALH Transaction was completed on the assumed dates of acquisition.

(20) Net investment income and interest expense are adjusted to reflect the sources of the financing to complete the ALH Transaction (net investment income is reduced for the lost investment income on cash used in the ALH Transaction and interest expense is increased to reflect the additional borrowings under the Conseco Credit Facility and the BLH Credit Facility).

A change in interest rates of .5 percent on the additional borrowings under the Conseco Credit Facility and the BLH Credit Facility used to complete the ALH Transaction would result in: (1) an increase (or decrease) in pro forma interest expense of $.6 million for the nine months ended September 30, 1996, and (2) a decrease (or increase) in pro forma net income of $.4 million for the same period.

(21) Interest expense is adjusted to reflect the fair value of ALH's subordinated debentures.

(22) All pro forma adjustments are tax affected based on the appropriate rate for the specific item. In addition, tax expense is adjusted to reflect the reduction in tax expense as a result of Conseco's increased ownership of ALH.

(23) Minority interest is reduced to eliminate the income attributable to the former shareholders of ALH and the preferred dividends on the payment-in-kind preferred stock of ALH, not owned by Conseco.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF CONSECO, INC.

The unaudited pro forma consolidated statement of operations of Conseco, Inc. ("Conseco") for the nine months ended September 30, 1996, presents the consolidated operating results for Conseco as if the following planned transactions had occurred on January 1, 1995: (1) the issuance of $200.0 million of trust originated preferred securities having an assumed distribution rate of 9.25 percent (the "Offering"); (2) the issuance of an additional $150.0 million of trust originated preferred securities having an assumed distribution rate of 9.25 percent (the "Additional Offering"); (3) the merger (the "ATC Merger") of American Travellers Corporation ("ATC") with and into Conseco; (4) the acquisition of all of the outstanding common stock of Bankers Life Holding Corporation ("BLH") not previously owned by Conseco and related transactions (the "BLH Transaction"); (5) the merger (the "CAF Merger") of a subsidiary of Conseco with and into Capitol American Financial Corporation ("CAF"); and (6) the merger (the "THI Merger") of Transport Holdings Inc. ("THI") with and into Conseco.

The pro forma consolidated statement of operations data for Conseco for the nine months ended September 30, 1996, set forth in the unaudited pro forma consolidated statement of operations under the column "Pro forma Conseco before the Offering" reflect the prior application of certain pro forma adjustments for the following transactions, all of which have already occurred, as if such transactions had occurred on January 1, 1995: (1) the call for redemption of Conseco's Series D Convertible Preferred Stock (the "Series D Call") completed September 26, 1996; (2) the acquisition of all of the outstanding common stock of ALH, not previously owned by Conseco or its affiliates, and related transactions (the "ALH Transaction") completed September 30, 1996; (3) the acquisition and merger of Life Partners Group, Inc. ("LPG") completed effective June 30, 1996 (the "LPG Merger"); (4) the issuance of 4.37 million shares of Conseco PRIDES in January 1996; and (5) the BLH tender offer for and repurchase of its 13 percent senior subordinated notes due 2002 and related financing transactions completed in March 1996 (the "BLH Tender Offer"). Such pro forma adjustments are set forth in Exhibit 99.1 included in Conseco's Form 10-Q for the quarterly period ended September 30, 1996.

The unaudited pro forma consolidated balance sheet as of September 30, 1996, gives effect to the following planned transactions as if each had occurred on September 30, 1996: (1) the Offering; (2) the Additional Offering; (3) the ATC Merger; (4) the BLH Transaction; (5) the CAF Merger; and (6) the THI Merger.

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

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

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

	Pro forma Conseco before the Offering	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal(a)
Revenues:					
Insurance policy income	$1,349.0	$ -	$1,349.0	$ -	$1,349.0
Investment activity:					
Net investment income	1,084.4		1,084.4		1,084.4
Net trading losses	(6.5)		(6.5)		(6.5)
Net realized gains	23.0		23.0		23.0
Fee revenue	29.7		29.7		29.7
Restructuring income	30.4		30.4		30.4
Other income	11.4		11.4		11.4
Total revenues	2,521.4		2,521.4		2,521.4
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	957.2		957.2		957.2
Interest expense on annuities and financial products	549.5		549.5		549.5
Interest expense on notes payable	100.7	(9.2)(1)	91.5	(6.9)(6)	84.6
Interest expense on investment borrowings	17.2		17.2		17.2
Amortization related to operations	242.9		242.9		242.9
Amortization related to realized gains	22.3		22.3		22.3
Other operating costs and expenses	243.5		243.5		243.5
Total benefits and expenses	2,133.3	(9.2)	2,124.1	(6.9)	2,117.2
Income before income taxes, minority interest and extraordinary charge	388.1	9.2	397.3	6.9	404.2
Income tax expense	147.9	3.2 (2)	151.1	2.4 (7)	153.5
Income before minority interest and extraordinary charge	240.2	6.0	246.2	4.5	250.7
Minority interest in consolidated subsidiaries:					
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	-	9.0 (3)	9.0	6.8 (8)	15.8
Dividends on preferred stock	6.4		6.4		6.4
Equity in earnings	13.9		13.9		13.9
Income before extraordinary charge	$ 219.9	$ (3.0)	$ 216.9	$ (2.3)	$ 214.6
Earnings per common share and common equivalent share:					
Primary:					
Weighted average shares outstanding	77.2		77.2		77.2
Income before extraordinary charge	$2.85		$2.81		$2.78
Fully diluted:					
Weighted average shares outstanding	78.7		78.7		78.7
Income before extraordinary charge	$2.79		$2.76		$2.73

(a) Amounts are carried forward to page 3.
The accompanying notes are an integral part of the pro forma consolidated financial statements.

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

	Pro forma Conseco subtotal(a)	ATC historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal(b)
Revenues:						
Insurance policy income	$1,349.0	$ 283.3	$ -	$1,632.3	$ -	$1,632.3
Investment activity:						
Net investment income	1,084.4	33.2	1.1 (11)	1,118.7		1,118.7
Net trading losses	(6.5)			(6.5)		(6.5)
Net realized gains	23.0	1.3	2.3 (11)	26.6	(.2)(26)	26.4
Fee revenue	29.7			29.7		29.7
Restructuring income	30.4			30.4		30.4
Other income	11.4			11.4		11.4
Total revenues	2,521.4	317.8	3.4	2,842.6	(.2)	2,842.4
Benefits and expenses:						
Insurance policy benefits and change in future policy benefits	957.2	192.2		1,149.4	(1.5)(26)	1,147.9
Interest expense on annuities and financial products	549.5			549.5		549.5
Interest expense on notes payable	84.6	5.8	1.5 (12) (3.7)(13)	88.2		88.2
Interest expense on investment borrowings	17.2			17.2		17.2
Amortization related to operations	242.9	16.4 (14)	(16.4)(14) 19.9 (14) 10.8 (15)	273.6	.4 (26)	274.0
Amortization related to realized gains	22.3			22.3	(.1)(26)	22.2
Other operating costs and expenses	243.5	64.4		307.9	1.6 (26)	309.5
Total benefits and expenses	2,117.2	278.8	12.1	2,408.1	.4	2,408.5
Income before income taxes, minority interest and extraordinary charge	404.2	39.0	(8.7)	434.5	(.6)	433.9
Income tax expense	153.5	13.0 (16)	.7 (16)	167.2	(.1)(27)	167.1
Income before minority interest and extraordinary charge	250.7	26.0	(9.4)	267.3	(.5)	266.8
Minority interest in consolidated subsidiaries:						
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	15.8			15.8		15.8
Dividends on preferred stock	6.4			6.4		6.4
Equity in earnings	13.9			13.9	(13.9)	-
Income before extraordinary charge	$ 214.6	$ 26.0	$ (9.4)	$ 231.2	$ 13.4	$ 244.6

Earnings per common share and

common equivalent share:						
Primary:						
Weighted average shares outstanding	77.2	13.1	(17)	90.3	2.6 (29)	92.9
	====	======		====	=====	====
Income before extraordinary charge	$2.78			$2.56		$2.63
	=====			=====		=====
Fully diluted:						
Weighted average shares outstanding	78.7	18.1	(17)	96.8	2.6 (29)	99.4
	====	======		====	=====	====
Income before extraordinary charge	$2.73			$2.42		$2.49
	=====			=====		=====

(a) Amounts have been carried forward from page 2.

(b) Amounts are carried forward to page 4.

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

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

	Pro forma Conseco subtotal(a)	CAF historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal	THI historical	Pro forma adjustments relating to to the THI Merger	Pro forma for the Offering and other planned transactions
Revenues:							
Insurance policy income	$1,632.3	$ 219.9	$ -	$1,852.2	$ 82.4	$	$1,934.6
Investment activity:							
Net investment income	1,118.7	41.7	(2.6)(32)	1,157.8	29.6	(5.0)(51)	1,182.4
Net trading losses	(6.5)			(6.5)			(6.5)
Net realized gains	26.4	.3	(.3)(32)	26.4	.3	(.3)(51)	26.4
Fee revenue	29.7			29.7			29.7
Restructuring income	30.4			30.4			30.4
Other income	11.4			11.4	1.4		12.8
Total revenues	2,842.4	261.9	(2.9)	3,101.4	113.7	(5.3)	3,209.8
Benefits and expenses:							
Insurance policy benefits and change in future policy benefits	1,147.9	124.4	(2.3)(33)	1,270.0	54.1		1,324.1
Interest expense on annuities and financial products	549.5			549.5			549.5
Interest expense on notes payable	88.2	1.6	(1.6)(34) 27.9 (35)	116.1	6.8	(6.8)(52) .9 (52)	117.0
Interest expense on investment borrowings	17.2			17.2			17.2
Amortization related to operations	274.0	17.5	(17.5)(36) 23.0 (36) 4.4 (37)	301.4	6.2	(6.2)(53) 10.3 (53)	311.7
Amortization related to realized gains	22.2			22.2			22.2
Other operating costs and expenses	309.5	58.7		368.2	24.4		392.6
Total benefits and expenses	2,408.5	202.2	33.9	2,644.6	91.5	(1.8)	2,734.3
Income before income taxes, minority interest and extraordinary charge	433.9	59.7	(36.8)	456.8	22.2	(3.5)	475.5
Income tax expense	167.1	20.9	(11.4)(38)	176.6	7.8	(1.2)(54)	183.2
Income before minority interest and extraordinary charge	266.8	38.8	(25.4)	280.2	14.4	(2.3)	292.3
Minority interest in consolidated subsidaires:							
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	15.8			15.8			15.8
Dividends on preferred stock	6.4			6.4			6.4
Equity in earnings	-			-			-
Income before extraordinary charge	$ 244.6	$ 38.8	$ (25.4)	$ 258.0	$ 14.4	$(2.3)	$ 270.1
Earnings per common share and common equivalent share:							
Primary:							
Weighted average shares outstanding	92.9		2.4 (39)	95.3		4.7 (55)	100.0
Income before							

extraordinary charge	$2.63		$2.71		$2.70
	=====		=====		=====
Fully diluted:					
Weighted average shares outstanding	99.4	2.4 (39)	101.8	4.7 (55)	106.5
	====	====	=====	====	=====
Income before extraordinary charge	$2.49		$2.57		$2.57
	=====		=====		=====

(a) Amounts have been carried forward from page 3.

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

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

	Conseco as reported	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal(a)
Assets					
Investments:					
Actively managed fixed maturity securities at fair value	$15,959.8	$ -	$15,959.8	$ -	$15,959.8
Held-to-maturity fixed maturity securities	-		-		-
Equity securities at fair value	104.2		104.2		104.2
Mortgage loans	372.5		372.5		372.5
Credit-tenant loans	393.8		393.8		393.8
Policy loans	526.0		526.0		526.0
Other invested assets	211.0		211.0		211.0
Short-term investments	212.3	189.3 (4) (189.3)(4)	212.3	141.9 (9) (141.9)(9)	212.3
Assets held in separate accounts	300.4		300.4		300.4
Total investments	18,080.0	-	18,080.0	-	18,080.0
Accrued investment income	276.7		276.7		276.7
Cost of policies purchased	1,847.1		1,847.1		1,847.1
Cost of policies produced	541.0		541.0		541.0
Reinsurance receivables	400.6		400.6		400.6
Income taxes	138.9		138.9		138.9
Goodwill	1,524.7		1,524.7		1,524.7
Property and equipment	105.9		105.9		105.9
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0		45.0		45.0
Other assets	216.1		216.1		216.1
Total assets	$23,176.0	$ -	$23,176.0	$ -	$23,176.0

(a) Amounts are carried forward to page 6.
The accompanying notes are an integral part of the pro forma consolidated financial statements.

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

	Pro forma Conseco subtotal(a)	ATC historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal(b)
Assets						
Investments:						
Actively managed fixed maturity securities at fair value	$15,959.8	$ 689.7	$ -	$16,649.5	$ -	$16,649.5
Held-to-maturity fixed maturity securities	-					-
Equity securities at fair value	104.2			104.2		104.2
Mortgage loans	372.5	.4		372.9		372.9
Credit-tenant loans	393.8			393.8		393.8
Policy loans	526.0			526.0		526.0
Other invested assets	211.0			211.0		211.0
Short-term investments	212.3	12.2	(30.4)(18) 30.4 (19)	224.5		224.5
Assets held in separate accounts	300.4			300.4		300.4
Total investments	18,080.0	702.3	-	18,782.3	-	18,782.3
Accrued investment income	276.7	7.7		284.4		284.4
Cost of policies purchased	1,847.1	11.3	268.8 (20) (11.3)(20)	2,115.9	65.9 (26)	2,181.8
Cost of policies produced	541.0	168.7	(168.7)(21)	541.0	(50.7)(26)	490.3
Reinsurance receivables	400.6			400.6		400.6
Income taxes	138.9		(27.1)(22) (26.2)(22)	85.6	(5.3)(27)	80.3
Goodwill	1,524.7		563.2 (23)	2,087.9	57.3 (26)	2,145.2
Property and equipment	105.9	3.9		109.8		109.8
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0			45.0		45.0
Other assets	216.1	13.7		229.8		229.8
Total assets	$23,176.0	$ 907.6	$ 598.7	$24,682.3	$ 67.2	$24,749.5

(a) Amounts have been carried forward from page 5.
(b) Amounts are carried forward to page 7.

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

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

	Pro forma Conseco subtotal(a)	CAF historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal	THI historical	Pro forma adjustments relating to the THI Merger	Pro forma for the Offering and other planned transactions
Assets							
Investments:							
Actively managed fixed maturity securities at fair value	$16,649.5	$ 308.5	$ 358.3 (40) 94.2 (41)	$17,410.5	$ 483.0	$ (83.9)(57)	$17,809.6
Held-to-maturity fixed maturity securities	-	358.3	(358.3)(40)	-			-
Equity securities at fair value	104.2	10.2		114.4	1.1		115.5
Mortgage loans	372.9			372.9	8.3		381.2
Credit-tenant loans	393.8			393.8			393.8
Policy loans	526.0			526.0	16.9		542.9
Other invested assets	211.0			211.0	6.5		217.5
Short-term investments	224.5	29.4	(534.0)(42) (26.0)(42) (29.0)(42) 589.0 (43)	253.9	34.6	83.9 (57) 18.5 (58) (18.5)(58) (58.3)(58) (25.6)(58)	288.5
Assets held in separate accounts	300.4			300.4			300.4
Total investments	18,782.3	706.4	94.2	19,582.9	550.4	(83.9)	20,049.4
Accrued investment income	284.4	6.9		291.3	5.7		297.0
Cost of policies purchased	2,181.8		492.2 (44)	2,674.0	10.8	112.8 (59) (10.8)(59)	2,786.8
Cost of policies produced	490.3	271.3	(271.3)(45)	490.3	28.4	(28.4)(60)	490.3
Reinsurance receivables	400.6			400.6	328.6	(260.0)(62)	469.2
Income taxes	80.3		(79.3)(46) (1.0)(46)	-			-
Goodwill	2,145.2		223.7 (47)	2,368.9			2,368.9
Property and equipment	109.8	4.4		114.2	.7		114.9
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0			45.0			45.0
Other assets	229.8	28.9		258.7	17.3		276.0
Total assets	$24,749.5	$1,017.9	$ 458.5	$26,225.9	$ 941.9	$(270.3)	$26,897.5

(a) Amounts have been carried forward from page 6.

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

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

	Conseco as reported	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal	ATC Historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal(a)
Liabilities:								
Insurance liabilities	$18,150.7	$ -	$18,150.7	$ -	$18,150.7	$ 586.3	$ -	$18,737.0
Income tax liabilities	-		-		-	26.2	(26.2)(22)	-
Investment borrowings	539.4		539.4		539.4			539.4
Other liabilities	482.0		482.0		482.0	10.9	11.3 (24)	504.2
Liabilities related to separate accounts	300.1		300.1		300.1			300.1
Notes payable of Conseco	1,169.0	(189.3)	979.7	(141.9)(9)	837.8	102.9	30.4 (19) 135.7 (24)	1,106.8
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1		418.1		418.1			418.1
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0		13.0		13.0			13.0
Total liabilities	21,072.3	(189.3)	20,883.0	(141.9)	20,741.1	726.3	151.2	21,618.6
Minority interest in consolidated subsidiaries:								
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	-	200.0 (5)	200.0	150.0 (10)	350.0			350.0
Preferred stock	92.5		92.5		92.5			92.5
Common stock	55.3		55.3		55.3			55.3
Shareholders' equity:								
Preferred stock	267.1		267.1		267.1			267.1
Common stock and additional paid-in capital	1,054.5	(10.7)(5)	1,043.8	(8.1)(10)	1,035.7	64.4	(64.4)(25) 628.8 (25)	1,664.5
Unrealized appreciation (depreciation) of securities	(47.0)		(47.0)		(47.0)	(10.3)	10.3 (25)	(47.0)
Retained earnings	681.3		681.3		681.3	127.2	(127.2)(25)	681.3
Total shareholders' equity	1,955.9	(10.7)	1,945.2	(8.1)	1,937.1	181.3	447.5	2,565.9
Total liabilities and shareholders' equity	$23,176.0	$ -	$23,176.0	$ -	$23,176.0	$907.6	$ 598.7	$24,682.3

(a) Amounts are carried forward to page 9.

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

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

	Pro forma Conseco subtotal(a)	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal	CAF Historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal(b)
Liabilities:						
Insurance liabilities	$18,737.0	$ -	$18,737.0	$ 611.4	$ 88.4 (48)	$19,436.8
Income tax liabilities	-		-	52.2	(1.0)(46)	51.2
Investment borrowings	539.4		539.4			539.4
Other liabilities	504.2		504.2	20.7		524.9
Liabilities related to separate accounts	300.1		300.1			300.1
Notes payable of Conseco	1,106.8	418.1 (30)	1,524.9	29.0	(29.0)(49) 589.0 (43)	2,113.9
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1	(418.1)(30)	-			-
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0		13.0			13.0
Total liabilities	21,618.6	-	21,618.6	713.3	647.4	22,979.3
Minority interest in consolidated subsidiaries:						
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	350.0		350.0			350.0
Preferred stock	92.5		92.5			92.5
Common stock	55.3	(55.3)(28)	-			-
Shareholders' equity:						
Preferred stock	267.1		267.1			267.1
Common stock and additional paid-in capital	1,664.5	122.5 (31)	1,787.0	35.5	(35.5)(50) 115.7 (50)	1,902.7
Unrealized appreciation (depreciation) of securities	(47.0)		(47.0)	(1.8)	1.8 (50)	(47.0)
Retained earnings	681.3		681.3	270.9	(270.9)(50)	681.3
Total shareholders' equity	2,565.9	122.5	2,688.4	304.6	(188.9)	2,804.1
Total liabilities and shareholders' equity	$24,682.3	$ 67.2	$24,749.5	$1,017.9	$ 458.5	$26,225.9

(a) Amounts have been carried forward from page 8.
(b) Amounts are carried forward to page 10.

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

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

	Pro forma Conseco subtotal(a)	THI historical	Pro forma adjustments relating to the THI Merger	Pro forma for the Offering and other planned transactions
Liabilities:				
Insurance liabilities	$19,436.8	$ 623.4	$ (260.0)(62)	$19,800.2
Income tax liabilities	51.2	17.5	25.8 (61)	94.5
Investment borrowings	539.4			539.4
Other liabilities	524.9	18.5		543.4
Liabilities related to separate accounts	300.1			300.1
Notes payable of Conseco	2,113.9	108.3	(58.3)(63) (50.0)(63) 18.5 (63)	2,132.4
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	-			-
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0			13.0
Total liabilities	22,979.3	767.7	(324.0)	23,423.0
Minority interest in consolidated subsidiaries:				
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	350.0			350.0
Preferred stock	92.5			92.5
Common stock	-			-
Shareholders' equity:				
Preferred stock	267.1	22.8	(22.8)(64)	267.1
Common stock and additional paid-in capital	1,902.7	169.7	(169.7)(64) 121.7 (64) 106.2 (64)	2,130.6
Unrealized appreciation (depreciation) of securities	(47.0)	4.7	(4.7)(64)	(47.0)
Retained earnings	681.3	(23.0)	23.0 (64)	681.3
Total shareholders' equity	2,804.1	174.2	53.7	3,032.0
Total liabilities and shareholders' equity	$26,225.9	$ 941.9	$ (270.3)	$26,897.5

(a) Amounts have been carried forward from page 9.

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

PRO FORMA ADJUSTMENTS

TRANSACTIONS RELATING TO THE OFFERING

Conseco Financing Trust I (the "Trust"), a wholly owned subsidiary of Conseco, intends to issue preferred securities (the "Preferred Securities") having an aggregate liquidation amount of $200 million and an assumed distribution rate of 9.25 percent. The Trust will use the proceeds from the sale of such securities to purchase subordinated debentures of Conseco in an aggregate principal amount equivalent to the aggregate liquidation amount of the Preferred Securities that are issued. The subordinated debentures are assumed to bear interest at a rate of 9.25 percent. Conseco will use the proceeds to reduce borrowings under its bank credit facilities.

(1) Interest expense is reduced to reflect the repayment of $189.3 million aggregate principal amount of borrowings under Conseco's bank credit facilities.

A change in interest rates of .5 percent on the borrowings under Conseco's bank credit facilities to be repaid from the Offering would result in: (1) a decrease (or increase) in pro forma interest expense of $.7 million for the nine months ended September 30, 1996; and (2) an increase (or decrease) in pro forma net income of $.5 million for the same period.

(2) The pro forma adjustment is tax affected, based on Conseco's effective tax rate of 35 percent.

(3) Minority interest is adjusted to reflect the dividends (net of the related tax benefit) on the Preferred Securities.

(4) Notes payable are reduced to reflect the repayment of $189.3 million aggregate principal amount of borrowings under Conseco's bank credit facilities using the net proceeds from the Preferred Securities.

(5) The Company's minority interest in consolidated subsidiaries is increased by the aggregate liquidation amount of the Preferred Securities. Issuance and other transaction costs related to the Preferred Securities are charged to paid-in capital.

OTHER PLANNED TRANSACTIONS

Transactions relating to the Additional Offering

In addition to the Preferred Securities offered above, a subsidiary trust of Conseco intends to issue an additional $150 million of trust originated preferred securities having an assumed distribution rate of 9.25 percent. The subsidiary will use the proceeds from the sale of such securities to purchase Conseco subordinated debentures with an aggregate principal amount equivalent to the aggregate liquidation amount of the trust originated preferred securities that are issued. The subordinated debentures of Conseco are assumed to bear interest at a rate of 9.25 percent. Conseco will use the proceeds to reduce borrowings under its bank credit facilities.

(6) Interest expense is reduced to reflect the repayment of $141.9 million aggregate principal amount of borrowings under Conseco's bank credit facilities.

A change in interest rates of .5 percent on the borrowings under Conseco's bank credit facilities to be repaid from the Additional Offering would result in: (1) a decrease (or increase) in pro forma interest expense of $.5 million for the nine months ended September 30, 1996; and (2) an increase (or decrease) in pro forma net income of $.3 million for the same period.

(7) The pro forma adjustment is tax affected, based on Conseco's effective tax rate of 35 percent.

(8) Minority interest is adjusted to reflect the dividends (net of the related tax benefit) on the trust originated preferred securities.

(9) Notes payable are reduced to reflect the repayment of $141.9 million aggregate principal amount of borrowings under Conseco's bank credit facilities using the net proceeds from the trust originated preferred securities.

(10) The Company's minority interest in consolidated subsidiaries is increased by the aggregate liquidation amount of the trust originated preferred securities. Issuance and other transaction costs related to the trust originated preferred securities are charged to paid-in capital.

Transactions relating to the ATC Merger

The ATC Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire ATC will be allocated to the assets and liabilities acquired based on their fair values as of the date of the ATC Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. Conseco believes the ATC Merger will not qualify to be accounted for under the pooling of interests method in accordance with APB No. 16 because an affiliate of ATC intends to sell a portion of the Conseco common stock it receives in the ATC Merger shortly after the consummation of the ATC Merger. In the ATC Merger, each outstanding share of ATC common stock is assumed to be exchanged for a fraction of a share of Conseco's common stock to be determined based on an average price of Conseco's common stock prior to its closing (it is assumed Conseco's share price will be $48.00, resulting in an exchange ratio of .7298 shares valued at $35.03). Conseco will issue an assumed 13.1 million shares of Conseco common stock with a value of approximately $628.8 million to acquire ATC's common stock. In addition, Conseco will assume the ATC convertible subordinated debentures, which will be convertible into an assumed 5.0 million shares of Conseco common stock with a value of approximately $238.6 million. In addition, Conseco is expected to incur costs related to the ATC Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $30.4 million.

The cost to acquire ATC is allocated as follows (dollars in millions):

Book value of assets acquired based on the assumed date of the ATC Merger (September 30, 1996)	$181.3
Convertible subordinated debentures assumed by Conseco at the assumed date of the ATC Merger	102.9
Increase (decrease) in ATC's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the ATC Merger:	
Cost of policies purchased (related to the ATC Merger)	268.8
Cost of policies produced and cost of policies purchased (historical)	(180.0)
Goodwill (related to the ATC Merger)	563.2
Income taxes	(27.1)
Other liabilities	(11.3)
Total estimated fair value adjustments	613.6
Total cost to acquire ATC	$897.8

Adjustments to the pro forma consolidated statement of operations to give effect to the ATC Merger as of January 1, 1995, are summarized below.

(11) Net investment income and net realized gains of ATC are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value.

(12) Interest expense is increased to reflect the increase in borrowings under Conseco's bank credit facilities used to complete the ATC Merger.

A change in interest rates of .5 percent on the additional borrowings under Conseco's bank credit facilities used to complete the ATC Merger would result in: (1) an increase (or decrease) in pro forma interest expense of $.1 million for the nine months ended September 30, 1996; and (2) a decrease (or increase) in pro forma net income of $.1 million for the same period.

(13) Interest expense is reduced to reflect the amortization of the liability established at the assumed date of the ATC Merger representing the present value of the interest payable on ATC's convertible subordinated debentures to October 1, 1998 (the earliest call date), less the present value of the dividends that would be paid on Conseco's common stock that such debentures would be convertible into during the same period.

(14) Amortization of the cost of policies produced and the cost of policies purchased prior to the ATC Merger is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(15) Amortization of goodwill acquired in the ATC Merger is recognized over a 40-year period on a straight-line basis.

(16) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(17) Common shares outstanding are increased to reflect the Conseco shares issued in the ATC Merger. Fully diluted shares also include Conseco shares which will be issued when ATC's convertible subordinated debentures are converted.

Adjustments to the pro forma consolidated balance sheet to give effect to the ATC Merger as of September 30, 1996, are summarized below.

(18) Cash is reduced for payments made to complete the ATC Merger.

(19) Short-term investments and notes payable of Conseco are increased for additional borrowings by Conseco to complete the ATC Merger.

(20) ATC's historical cost of policies purchased is eliminated and replaced with the cost of policies purchased recognized in the ATC Merger. Cost of policies purchased reflects the estimated fair value of ATC's business in force and represents the portion of the cost to acquire ATC that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$268.8	$35.4	$14.2	$21.2	$247.6
1998	247.6	32.3	12.9	19.4	228.2
1999	228.2	29.6	12.0	17.6	210.6
2000	210.6	27.3	10.9	16.4	194.2
2001	194.2	25.2	10.1	15.1	179.1

(21) ATC's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(22) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. Deferred tax liabilities of ATC are netted against deferred tax assets of Conseco.

(23) Goodwill acquired in the ATC Merger is recognized.

(24) Notes payable are increased to reflect the fair value of ATC's convertible subordinated debentures at the date of the ATC Merger. Such fair value represents the value of the Conseco common stock which ATC's convertible subordinated debentures will be convertible into after the ATC Merger. It is assumed that the holders of such debentures do not convert into Conseco common stock at the time of the ATC Merger.

In addition, a liability is established representing the present value of the interest payable on such debentures to October 1, 1998 (the earliest call date), less the present value of the dividends that would be paid on the Conseco common stock that such debentures would be convertible into during the same period.

(25) The prior shareholders' equity of ATC is eliminated in conjunction with the ATC Merger. Common stock and additional paid-in capital is increased by the value of the Conseco common stock issued in the ATC Merger.

Transactions relating to the BLH Transaction

Conseco has proposed to acquire all of the common stock of BLH, not owned by Conseco. In the BLH Transaction, each share of BLH common stock would be converted into the right to receive a fraction of a share of Conseco common stock to be determined based on the average price of Conseco's common stock prior to closing (it is assumed that such price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of .5208 shares valued at $25.00). Conseco will issue an assumed 2.6 million shares of Conseco common stock with a value of approximately $122.5 million.

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

Adjustments to give effect to the BLH Transaction are summarized below:

(26) As described above, the BLH Transaction is accounted for as a step acquisition. The accounts of BLH are adjusted to reflect the step basis method of accounting as if the BLH Transaction was completed on the assumed dates of acquisition.

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

(28) Minority interest is reduced to eliminate the ownership interest of the former shareholders of BLH.

(29) Common shares outstanding are increased to reflect the shares of Conseco common stock issued in the acquisition of additional shares of BLH common stock.

(30) Notes payable of BLH are reclassified as notes payable of Conseco, since BLH would be merged into Conseco.

(31) Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the acquisition of additional shares of BLH common stock.

Transactions relating to the CAF Merger

The CAF Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire CAF will be allocated to the assets and liabilities acquired based on their fair values as of the date of the CAF Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. In the CAF Merger, each outstanding share of CAF common stock is assumed to be exchanged for $30 in cash and the right to receive a fraction of a share of Conseco common stock to be determined based on the average price of Conseco common stock prior to its closing (it is assumed that such average price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of .1354). Conseco will pay approximately $534 million in cash and issue an assumed 2.4 million shares of Conseco common stock with a value of approximately $115.7 million to acquire the CAF common stock. In addition, Conseco is expected to assume a note payable of CAF of $29.0 million and incur costs related to the CAF Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $26 million.

The cost to acquire CAF is allocated as follows (dollars in millions):

Book value of assets acquired based on the assumed date of the CAF Merger (September 30, 1996)	$304.6
Notes payable of CAF assumed by Conseco at the assumed date of the CAF Merger	29.0
Increase (decrease) in CAF's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the CAF Merger:	
Actively managed fixed maturity securities	452.5
Held-to-maturity fixed maturity securities	(358.3)
Cost of policies purchased (related to the CAF Merger)	492.2
Cost of policies produced	(271.3)
Goodwill (related to the CAF Merger)	223.7
Insurance liabilities	(88.4)
Income taxes	(79.3)
Total estimated fair value adjustments	371.1
Total cost to acquire CAF	$704.7

Adjustments to the pro forma consolidated statement of operations to give effect to the CAF Merger as of January 1, 1995, are summarized below.

(32) Net investment income and net realized gains of CAF are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value.

(33) Change in policy benefits is reduced to reflect the purchase accounting adjustment made at the assumed date of the CAF Merger. Such adjustment reflects the lower discount rate used to discount amounts of expected future benefit payments to correspond to the adjustments to restate the amortized cost of fixed maturity investments to their estimated fair value.

(34) Interest expense is reduced to reflect the repayment of notes payable of CAF by Conseco at the assumed date of the CAF Merger.

(35) Interest expense is increased to reflect the increase in borrowings under Conseco's bank credit facilities used to complete the CAF Merger.

A change in interest rates of .5 percent on the additional borrowings under Conseco's bank credit facilities used to complete the CAF Merger would result in: (1) an increase (or decrease) in pro forma interest expense of $2.2 million for the nine months ended September 30, 1996; and (2) a decrease (or increase) in pro forma net income of $1.4 million for the same period.

(36) Amortization of the cost of policies produced for policies sold by CAF prior to January 1, 1995, is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(37) Amortization of goodwill acquired in the CAF Merger is recognized over a 40-year period on a straight-line basis.

(38) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(39) Common shares outstanding are increased to reflect the shares issued in the CAF Merger.

Adjustments to the pro forma consolidated balance sheet to give effect to the CAF Merger as of September 30, 1996, are summarized below.

(40) After the CAF Merger, all held-to-maturity securities are classified as actively managed fixed maturity securities consistent with the intention of the new management.

(41) CAF's fixed maturity securities are restated to estimated fair value.

(42) Cash is reduced for payments made to complete the CAF Merger.

(43) Short-term investments and notes payable of Conseco are increased for additional borrowings by Conseco to complete the CAF Merger.

(44) Cost of policies purchased reflects the estimated fair value of CAF's business in force and represents the portion of the cost to acquire CAF that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$492.2	$60.4	$27.1	$33.3	$458.9
1998	458.9	55.2	25.2	30.0	428.9
1999	428.9	52.2	23.6	28.6	400.3
2000	400.3	49.5	22.1	27.4	372.9
2001	372.9	46.9	20.5	26.4	346.5

(45) CAF's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(46) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. In addition, deferred tax liabilities of CAF are netted against deferred tax assets of Conseco.

(47) Goodwill acquired in the CAF Merger is recognized.

(48) Additional insurance liabilities are recognized to reflect the lower discount rates used to determine the present value of future obligations, consistent with the lower yields to be earned on invested assets as a result of recognizing the fair value of fixed maturity securities.

(49) Notes payable are reduced to reflect the repayment of notes payable of CAF by Conseco at the assumed date of the CAF Merger.

(50) The prior shareholders' equity of CAF is eliminated in conjunction with the CAF Merger. Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the CAF Merger.

Transactions relating to the THI Merger

The THI Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire THI will be allocated to the assets and liabilities acquired based on their fair values as of the date of the THI Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. Conseco believes the THI Merger will not qualify to be accounted for under the pooling of interests method in accordance with APB No. 16 because THI was a subsidiary of another corporation within two years of the contemplated transaction. In the THI Merger, each outstanding share of THI common stock (or its equivalent) is assumed to be exchanged for a fraction of a share of Conseco common stock to be determined based on the price of Conseco common stock prior to its closing (it is assumed such average price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of 1.4583 shares valued at $70.00). Conseco will issue an assumed 2.5 million shares of Conseco common stock with a value of approximately $121.7 million to acquire the THI common stock (or equivalents). Pursuant to an offer by Conseco (the "Exchange Offer"), it is assumed all of THI's convertible subordinated notes (the "THI Convertibles Notes") will be exchanged for shares of Conseco common stock based on the price of Conseco common stock prior to the THI Merger (such fully converted value being the same as the THI Convertible Notes) plus a cash premium. Using the same assumption that each share of THI will be convertible into 1.4583 shares of Conseco common stock with a value of $70.00, in aggregate, the THI Convertible Notes will be convertible into 2.2 million shares of Conseco common stock with a value of approximately $106.2 million. In addition, Conseco will pay a premium of approximately $10.0 million in conjunction with the Exchange Offer. Conseco estimates that it will incur costs related to the THI Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $8.5 million.

The cost to acquire THI is allocated as follows (dollars in millions):

Book value of assets acquired based on assumed date of the THI Merger (September 30, 1996)	$174.2
THI Convertible Notes converted to Conseco common stock	50.0
Less book value of THI preferred stock	(22.8)
Increase (decrease) in THI's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the THI Merger:	
Cost of policies purchased (related to the THI Merger)	112.8
Cost of policies produced and cost of policies purchased (historical)	(39.2)
Income taxes	(25.8)
Premium paid in conjunction with the Exchange Offer	(10.0)
Premium incurred to retire THI preferred stock	(2.8)
Total estimated fair value adjustments	35.0
Total cost to acquire THI	$236.4

Adjustments to the pro forma consolidated statement of operations to give effect to the THI Merger as of January 1, 1995, are summarized below.

(51) Net investment income and net realized gains of THI are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value and the effect of the assumed sale of $83.9 million fixed maturity investments, with the proceeds used to repay $58.3 million of bank debt and redeem preferred stock with a redemption value of $25.6 million.

(52) Interest expense is reduced to reflect the repayment of bank debt of $58.3 million and the conversion of the THI Convertible Notes into Conseco common stock pursuant to the Exchange Offer. Interest expense is increased to reflect borrowings by Conseco to: (i) pay the estimated cost of the THI Merger; and (ii) pay the $10.0 million premium in conjunction with the Exchange Offer.

(53) Amortization of the cost of policies produced and the cost of policies purchased prior to the THI Merger is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(54) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(55) Common shares outstanding are increased to reflect the Conseco shares issued in the THI Merger and the conversion of the THI Convertible Notes in conjunction with the Exchange Offer.

(56) Effective October 1, 1995, THI sold its long term care business to ATC. An adjustment is made to remove the loss on the sale of the long term care business. However, the revenues, benefits and expenses related to this business prior to its sale are not eliminated, since the business is retained within the Conseco consolidated group after the ATC Merger (and previous pro forma adjustments for the ATC Merger did not include adjustments related to THI's long term care business prior to its purchase by ATC). In addition, expenses related to THI's spin-off from its parent are eliminated. Such costs include certain legal, accounting, actuarial and advisory fees.

Adjustments to the pro forma consolidated balance sheet to give effect to the THI Merger as of September 30, 1996, are summarized below.

(57) Actively managed fixed maturity securities with a carrying value of $83.9 million are assumed to be sold at the date of the THI Merger.

(58) Short-term investments are reduced for: (i) payments made to complete the THI Merger; (ii) the repayment of bank debt with a balance of $58.3 million; (iii) the redemption of preferred stock with a redemption value of $25.6 million; and (iv) the payment of the $10.0 million premium in conjunction with the Exchange Offer. Short-term investments are increased by additional borrowings by Conseco of $18.5 million to complete the THI Merger and related transactions.

(59) THI's historical cost of policies purchased is eliminated and replaced with the cost of policies purchased recognized in the THI Merger. Cost of policies purchased reflects the estimated fair value of THI's business in force and represents the portion of the cost to acquire THI that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$112.8	$19.2	$6.3	$12.9	$99.9
1998	99.9	15.9	5.6	10.3	89.6
1999	89.6	14.5	5.0	9.5	80.1
2000	80.1	13.3	4.4	8.9	71.2
2001	71.2	12.8	4.0	8.8	62.4

(60) THI's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(61) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. Deferred tax assets are netted against deferred tax liabilities.

(62) Reinsurance receivables and insurance liabilities related to business of THI ceded to ATC are eliminated in consolidation.

(63) Notes payable are decreased to reflect: (i) the repayment of bank debt of $58.3 million; and (ii) the conversion of the THI Convertible Notes into Conseco common stock in conjunction with the Exchange Offer. In addition, notes payable are increased to reflect additional borrowings by Conseco used to complete the THI Merger and related transactions.

(64) The prior shareholders' equity of THI is eliminated in conjunction with the THI Merger. Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the THI Merger. The value of the THI Convertible Notes represents the value of the Conseco common stock which will be issued in conjunction with the Exchange Offer. Preferred stock of THI is eliminated to reflect its redemption.

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