CONSECO INC

FORM 8-K
(Current report filing)

Filed 10/31/01 for the Period Ending 10/30/01

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

CONSECO INC

FORM 8-K
(Unscheduled Material Events)

Filed 10/31/2001 For Period Ending 10/30/2001

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 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 30, 2001

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

Indiana	1-9250	35-1468632
(State or other jurisdiction of organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

11825 North Pennsylvania Street
Carmel, Indiana 46032
(Address of principal executive offices) (Zip Code)

(317) 817-6100
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address,
if changed since last report.)

Item 5. Other Events

Attached as Exhibit 99 is a copy of a press release dated October 30, 2001.

Item 7(c). Exhibit.

99. Press release of Conseco, Inc. issued October 30, 2001.

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

CONSECO, INC.

DATE: October 31, 2001

By: /s/ Charles B. Chokel

Name: Charles B. Chokel
Title: Executive Vice President and Chief Financial Officer

Exhibit 99 New Conseco News

For Release Immediate

Contacts (News Media) Mark Lubbers, EVP, External Relations 317.817.4418 (Investors) Tammy Hill, SVP, Investor Relations 317.817.2893

Conseco announces 3Q01 earnings

Indianapolis, Ind.: Oct. 30, 2001 - The attached "NEW Conseco Memo #17" from Conseco CEO Gary C. Wendt was posted on Conseco's web site for shareholders and/or electronically distributed to them today.

- more -

NEW Conseco Memo
17

To: Conseco Shareholders
From: Gary Wendt, Chairman & CEO
Date: October 30, 2001

There isn't much news left in reporting the financial results for the third quarter. You know from our statement last week that operating earnings per share for the quarter were 18 cents, up 50% from the 3rd quarter a year ago. And, you know from my October 2 memo that we are taking substantial non-operating charges that will result in a net loss for the quarter.

In this memo, I will briefly summarize the quarter's operating results. As importantly, I want to address some recent comments about the company and to discuss where we are in the turnaround process.

Summary points

o Operating earnings for the quarter were up 49% over the 3rd quarter a year ago, $60.6 million (18 cents per share) in 3Q01 vs. $40.8 million (12 cents per share) for 3Q00. For the first 3 quarters, 2001 operating earnings were $184.2 million compared with $110.7 million for 2000 - growth of 66%.

o Various non-operating items resulted in a total after-tax charge of $471 million resulting in a net loss for the quarter of $411 million ($1.21 per share).

o The Finance segment continued to show strong earnings growth on a year over year basis. Pretax operating income was $72.5 million for 3Q01, up 81% from $40.0 million in 3Q00. The 9-month year-to-date comparison of 2001 with 2000 shows pretax operating earnings growth of 108%. On a sequential quarter basis, 3rd quarter pretax operating earnings in the Finance segment declined $8 million due to a $23 million increase in the quarter for provision for loan loss expense.

o Pretax operating earnings from the Insurance and fee-based segment were down 5% in 3Q01 vs. 3Q00 due to adverse mortality experience and the struggling market-linked annuity products. (Market-linked annuity products include variable and equity-indexed annuities, both of which are dependent to some extent on financial market performance.) Year-to-date, however, pretax operating earnings are up 4% for the first three quarters compared with 2000.

o Interest and preferred dividend expense for the quarter was $33 million lower than 3Q00, a year over year reduction of 20%. Interest expense savings of nearly $70 million year-to-date in 2001 compared with 2000, have been achieved primarily through debt reduction under the turnaround plan.

- more -

Chart 1 3rd Quarter 2001 Earnings from Operations $ millions, except per share amounts

	Q1 `00	Q2 `00	Q3 `00	Q4 `00	Full Year 2000	Q1 `01	Q2 `01	Q3 `01
Insurance and fee based	$185.3	$211.7	$220.1	$226.6	$843.7	$203.2	$231.6	$208.3
Finance	35.8	28.0	40.0	53.0	156.8	63.6	80.1	72.5
Subtotal	221.1	239.7	260.1	279.6	1,000.5	266.8	311.7	280.8
Corporate:								
Interest and dividends	(158.4)	(167.4)	(164.0)	(162.0)	(651.8)	(152.3)	(138.2)	(130.8)
Expenses less chgs to subs	(15.8)	(7.3)	(23.9)	(20.5)	(67.5)	8.5	(9.3)	(9.3)
Int and div allocated to CFC	42.2	38.4	36.3	10.0	126.9	5.5	1.9	0.0
Pre-tax	89.1	103.4	108.5	107.1	408.1	128.5	166.1	140.7
Taxes	33.6	37.8	39.9	39.3	150.6	47.7	68.1	51.8
Total after-tax pre-goodwill	55.5	65.6	68.6	67.8	257.5	80.8	98.0	88.9
Goodwill amortization	(24.8)	(26.4)	(27.8)	(26.7)	(105.7)	(26.8)	(28.4)	(28.3)
Operating earnings	30.7	39.2	40.8	41.1	151.8	54.0	69.6	60.6
Non-operating earnings, net of tax	42.5	(446.4)	(530.3)	(419.8)	(1,354.0)	26.2	(99.9)	(471.2)
Net income (loss) applicable to common stock	$73.2	($407.2)	($489.5)	($378.7)	($1,202.2)	$80.2	($30.3)	($410.6)
Operating earnings per share:								
Pre-goodwill	$0.17	$0.20	$0.21	$0.21	$0.79	$0.23	$0.29	$0.26
Post-goodwill	$0.10	$0.12	$0.12	$0.13	$0.47	$0.16	$0.21	$0.18
Net income (loss) per share	$0.22	($1.25)	($1.50)	($1.16)	($3.69)	$0.23	($0.09)	($1.21)

Finance Segment

o Year-over-year quarterly pre-tax operating earnings improved 81%, driven by increased on-balance-sheet receivables, improved margins and lower operating costs. Specifically, the average on-balance-sheet portfolio from continuing operations grew 24%, margins improved 113 bps and quarterly operating costs declined $20 million.

- more -

o On a sequential quarter basis, pre-tax operating earnings declined by $8 million or 9%. Although revenue increased 3% and margins improved 17 bps, these were more than offset by a $23 million increase in provision expense as the Finance Company strengthened reserves. Specifically on-balance-sheet loan reserves increased from $318 million to $355 million at the end of the quarter.

o The Finance segment continued the process of growing and diversifying its on- balance-sheet portfolio of assets. Specifically, 3Q originations were $3.1 billion, driven by a 31% quarter-over-quarter increase in Home Equity lending. Manufactured Housing (MH) originations of $707 million represented only 23% of originations. Finally, the average on-balance-sheet portfolio of $17.5 billion grew approximately 5% in the quarter.

o Delinquencies increased slightly in the quarter. Total managed 60+ delinquencies rose 11 bps to 1.89%. For MH, 60+ delinquencies and repo inventory increased 7 bps and 12 bps to 2.27% and 2.30%, respectively. Like any company in the finance business, we remain cautious about the overall direction of the economy and focused on managing portfolio performance in the slowing market.

o Finally, new issuance spreads, net proceeds from securitizations and operating cash flow remain at or above 2Q01's strong levels. In addition, the Finance Company retired $24 million of 2002 public debt.

o MH repo inventory increased during the quarter from 13,607 to 14,333 (up 5%) primarily due to slower sales than in previous quarters. Recovery rates held steady at 45%. 2001 repo sales are up 10% year-to-date over 2000, and new units repossessed quarterly are holding steady with the same periods last year. The chart below updates the data we have been providing to you since early this year.

Chart 2 MH Repossession Report # of MH units

	3Q00	4Q00	1Q01	2Q01	3Q01
Beginning Inventory	6,766	8,471	11,967	13,790	13,607
Incurs	7,485	9,656	8,452	6,468	6,833
Sales	5,780	6,160	6,629	6,651	6,107
Ending Inventory	8,471	11,967	13,790	13,607	14,333
Sales/Incurs Ratio	0.77	0.64	0.78	1.03	0.89

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Insurance segment

o Although year-to-date operating earnings in the Insurance segment have increased over the same period last year, variable and equity indexed annuity and life product earnings are below our expectations and prior year amounts. Year over year growth in fixed annuity sales reflects the product migration away from market-linked products. Volatility in the equity markets has had an adverse effect on the sale of and earnings from our market-linked products, and adverse mortality experience has decreased life earnings (including approximately $5 million in this quarter related to the September 11 attacks).

o On a company-wide basis, the variable and equity-indexed annuity products continue to inhibit Insurance segment progress. Excluding these products, the insurance and fee-based segment has seen 7% growth in premiums over 3Q00 and is down 2% compared with the 2nd quarter of this year. Based on trends prior to and since the September 11 attacks, we believe that this quarterly collections data includes a temporary decline that can be isolated to those events.

Total Collected Premium
$ millions

	3Q00	2Q01	3Q01	Percentage Change 3Q00-3Q01	Percentage Change 2Q01-3Q01
Life	$240	$237	$233	(3) %	(2) %
Long Term Care	203	218	218	7 %	--
Med Sup	218	237	232	6 %	(2) %
Specified Disease	87	93	90	3 %	(3) %
Other Sup Health	24	30	21	(13) %	(30) %
Sub-total	772	815	794	3 %	(3) %
Fixed Annuities	176	217	218	24 %	--
Sub-total	948	1032	1012	7 %	(2) %
Variable Annuities	190	114	79	(58) %	(31) %
Equity indexed annuities	114	100	94	(18) %	(6) %
Total market-linked	304	214	173	(43) %	(19) %
TOTAL	$1252	$1246	$1185	(5) %	(5) %

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Non-operating charges

The non-operating charges, which we estimated on October 2, were $471 million after taxes. For a description and explanation of these charges, you can refer to my Memo #16. Listed below are the line items for the non-operating charges, the estimates we provided on October 2, and the actual after tax charge that was incurred.

$ Millions
(net of taxes)

	Estimate	Actual
I/O Security	$225.0	$224.4
Realized losses in bond portfolio	125.0	113.9
Major Medical discontinuation and other	40.0	49.0
TeleCorp mark-to-market	45.0	45.2
D & O plan reserve increase	40.0	38.7
	$475.0	$471.2

While there is no guarantee that these will be the last of such charges, we have taken steps to minimize them going forward.

For example, the volatility of the TeleCorp asset, which required a mark-to-market charge of $45 million this quarter, will soon be behind us. Now that AT&T Wireless has agreed to acquire TeleCorp, we have dramatically increased liquidity in our 17.2 million shares, and we should have no difficulty selling them at the appropriate time. Additionally, I should note that the value of the shares has increased by approximately $20 million (after tax) in the month since we closed the books on the 3rd quarter.

We should also see less volatility in the I/O asset as a result of a transaction completed this quarter that bundles all the I/O pools into a single security. Going forward, we will be able to net the increases and decreases in value across all I/O pools, reducing future charges to the income statement.

The Investor Supplement (available at the investor relations section of Conseco.com website http://www.conseco.com/csp/about_conseco/ac_investorrelations_reportsfilings.htm) provides much more detail than I have summarized here. I hope you will take time to review it. By the way, you will see that we have added a new disclosure category in this quarter's Supplement. In addition to providing credit quality data for the entire portfolio of managed receivables, we have broken out the data for the on-balance-sheet portfolio. This disclosure is in direct response to your requests for the information. It should now be easier for those of you who model our financials to make your own estimates about credit quality and reserve adequacy.

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Recent comments

As I noted last week, recent public comments suggesting a liquidity crisis in 2002 were overstated. We expect to meet our debt payments in 2002 and beyond, and we will do so by managing our balance sheet to achieve needed cash flows. Taking into account the repurchase of $49 million of our public debt during the 3rd quarter, plus an additional $75 million repurchased during the past month, Conseco's 2002 public debt maturities and debt service commitments are as follows:

	$ millions
Conseco Finance 10.25% sub notes due June 2002	149
Conseco Finance 6.5% notes due Sept 2002	206
Conseco 8.5% Notes due Oct 2002	385
Optional Bank Payment	150
Interest & Preferred Dividends	500
	1,390

As sources of cash to meet this demand, we project the following ranges of cash available for debt service:

	$ millions		
Excess cash on hand	50	--	60
Insurance segment	450	--	500
Finance segment	310	--	340
Corporate expenses	(30)		(30)
Telecorp (net of associated debt)	200	--	220
Cash generation options, as necessary	300	--	410
	1,390		

Among the multiple options available for generating cash are:
- Changes to operations
- Reinsurance/coinsurance
- Refinancing
- Non-core asset sales
- Non-core business line sales
- Other capital market alternatives

In short, we have excellent and predictable cash flow from operations and we have multiple options to generate additional cash. We expect to meet our future debt obligations and, equally important, to provide sufficient cash to grow our businesses at targeted returns.

- more -

Credit Quality

On another subject, recent comments about credit quality have called into question the performance of 1999 and 2000 securitization pools because of their higher incidence of "problem loans." It is true that partial information about these pools causes them to appear worse than pools securitized in the past. This is an inaccurate conclusion because the more recent pools contain up to 4 times the proportion of "repo refis" as are contained in older pools. Repo refi loans are 2.5 times more likely to end up in the problem loan category, but our approach toward actively managing the repo inventory - rather than selling it wholesale - is clearly positive for the company. It is also important to understand that these loans are priced with higher spread to balance the expected higher default rate. On a return-adjusted basis, the performance of the more recent pools is actually better than that of older pools.

This and other issues related to Conseco Finance will be discussed at length at the Investor Briefing that we postponed in September. That briefing will take place in New York on November 15, starting at 1 p.m. Registration information will be available tomorrow.

Where are we in the Turnaround process?

Our estimate today, is that 4th quarter operating earnings will be in the range of 17 cents to 20 cents per share, which will translate into 72 cents to 75 cents per share for the year.(1)

I am disappointed that our original earnings expectations turned out to be too optimistic. But our goals for the company are clearly achievable. We may be about twelve months behind the schedule outlined by our initial earnings projections, but we fully intend to achieve our long-term financial objectives. And, in all likelihood, we will make up some of the delay we've experienced this year.

From the standpoint of our Turnaround activities, the internal and external factors experienced this year caused me to recruit Bill Shea as our new President and Chief Operating Officer. It was clear to me that the strain on earnings growth caused by these factors called for close operating management by a seasoned turnaround veteran. After only a few weeks Bill is deeply engaged in this work.

In the next few weeks we will be building budgets and a financial plan for 2002. Bill has already begun to hammer out expense reductions. He has advanced the clock on the budget process by asking each business unit and staff area for expense reductions in November and December of the current year so that we get a flying start in 2002. He is making certain that the Process Excellence projects, the Cost Out projects and the India initiative are tied into the budget to assure that promised savings find their way to the bottom line.

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(1) The number of shares used in this calculation is dictated by GAAP. Since we will have a net loss for the year, we will be required to show EPS for the year based on basic shares outstanding. However, if the 4th quarter produces a net profit, as we anticipate, that would require a quarterly EPS calculation on a diluted basis. If we did not have the non-operating charges this year dragging us into a net loss position, the 72 cents to 75 cents operating earnings per share for the year would translate into 68 cents to 71 cents.

- more -

It is important to note that the facts at Conseco still add up to creating substantial shareholder value. Even with some internal and external impediments, our operating earnings are expected to exceed 72 cents per share this year. Even with the pain of this quarter's large non-operating charge, we are making progress toward "clean quarters". And, most importantly to our strategic focus, we are producing strong cash flow to reduce the company's debt burden.

Note on forward-looking statements: All statements, trend analyses and other information contained in this release and elsewhere (such as in filings by Conseco with the Securities and Exchange Commission, press releases, presentations by Conseco or its management or oral statements) relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "projected," "intend," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things: (1) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) Conseco's ability to sell its products, its ability to make loans and access capital resources and the costs associated therewith, the market value of Conseco's investments, the lapse rate and profitability of policies, and the level of defaults and prepayments of loans made by Conseco; (2) Conseco's ability to achieve anticipated synergies and levels of operational efficiencies; (3) customer response to new products, distribution channels and marketing initiatives; (4) mortality, morbidity, usage of health care services and other factors which may affect the profitability of Conseco's insurance products; (5) performance of our investments; (6) changes in the Federal income tax laws and regulations which may affect the relative tax advantages of some of Conseco's products; (7) increasing competition in the sale of insurance and annuities and in the finance business; (8) regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; (9) the outcome of Conseco's efforts to sell assets and reduce, refinance or modify indebtedness and the availability and cost of capital in connection with this process; (10) actions by rating agencies and the effects of past or future actions by these agencies on Conseco's business; and (11) the risk factors or uncertainties listed from time to time in Conseco's filings with the Securities and Exchange Commission.

World Wide Web	http://www.conseco.com
Investor Hotline	800.4.CONSECO
Fax-on-Demand	800.344.6452

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Conseco, Inc. (NYSE: CNC)
Financial Highlights

	Quarter Ended Sept. 30:		Nine Months Ended Sept. 30:	
	2001	2000	2001	2000
Consolidated income analysis (in millions)				
Operating earnings from continuing operations before goodwill amortization and taxes:				
Insurance and fee-based segment operating earnings	$208.3	$220.1	$643.1	$617.1
Finance segment operating earnings	72.5	40.0	216.2	103.8
Subtotal	280.8	260.1	859.3	720.9
Holding company activities:				
Corporate expenses, less charges to subsidiaries for services provided	(9.3)	(23.9)	(10.1)	(47.0)
Interest and dividends, net of corporate investment income	(130.8)	(164.0)	(421.3)	(489.8)
Allocation of interest and dividends to finance segment	0.0	36.3	7.4	116.9
Pre-tax operating earnings from continuing operations before goodwill amortization	140.7	108.5	435.3	301.0
Taxes	(51.8)	(39.9)	(167.6)	(111.3)
After-tax operating earnings from continuing operations before goodwill amortization	88.9	68.6	267.7	189.7
Goodwill amortization	(28.3)	(27.8)	(83.5)	(79.0)
Operating earnings from continuing operations applicable to common stock	60.6	40.8	184.2	110.7
Non-operating items, net of tax				
Net realized losses	(113.9)	(42.7)	(195.0)	(127.3)
Venture capital income (loss)	(45.2)	(107.6)	(41.9)	(107.2)
Gain on sale of interest in Riverboat	0.0	0.0	122.6	0.0
Impairment charge related to interest-only securities	(224.4)	(129.2)	(250.4)	(136.8)
Provision for losses related to loan guarantees	(38.7)	(12.7)	(38.7)	(72.0)
Discontinued lines and other non-recurring items	(49.0)	(238.1)	(141.5)	(490.9)
Total non-operating items, net of tax	(471.2)	(530.3)	(544.9)	(934.2)
Net loss applicable to common stock	($410.6)	($489.5)	($360.7)	($823.5)

- more -

Conseco, Inc. (NYSE: CNC)
Financial Highlights

	Quarter Ended Sept. 30:		Nine Months Ended Sept. 30:	
	2001	2000	2001	2000
Earnings per diluted share analysis				
Operating earnings per diluted share before goodwill amortization:				
Insurance and fee-based segment operating earnings	$0.39	$0.43	$1.20	$1.21
Finance segment operating earnings	0.14	0.08	0.40	0.20
Subtotal	0.53	0.51	1.60	1.41
Holding company activities:				
Corporate expenses, less charges to subsidiaries for services provided	(0.02)	(0.05)	(0.02)	(0.09)
Interest and dividends, net of corporate investment income	(0.25)	(0.32)	(0.79)	(0.97)
Allocation of interest and dividends to finance segment	0.00	0.07	0.01	0.23
Operating earnings per diluted share from continuing operations before goodwill amortization	0.26	0.21	0.80	0.58
Goodwill amortization	(0.08)	(0.09)	(0.25)	(0.24)
Operating earnings per diluted share from continuing operations applicable to common stock	0.18	0.12	0.55	0.34
Non-operating items, net of tax				
Net realized losses	(0.34)	(0.13)	(0.58)	(0.39)
Venture capital loss	(0.13)	(0.33)	(0.12)	(0.33)
Gain on sale of interest in Riverboat	0.00	0.00	0.36	0.00
Impairment charge related to interest-only securities	(0.66)	(0.40)	(0.74)	(0.42)
Provision for losses related to loan guarantees	(0.11)	(0.04)	(0.12)	(0.22)
Discontinued lines and other non-recurring items	(0.15)	(0.72)	(0.42)	(1.50)
Total non-operating items, net of tax	(1.39)	(1.62)	(1.62)	(2.86)
Loss per diluted share	($1.21)	($1.50)	($1.07)	($2.52)
Diluted common shares outstanding (in millions)	340.3	325.3	336.4	326.2

- more -

Conseco, Inc.
Consolidated Balance Sheet (in millions)

	At Sept. 30, 2001	At Dec. 31, 2000
Assets		
Investments:		
Actively managed fixed maturities at fair value	$22,734.2	$21,755.1
Interest-only securities at fair value	172.4	432.9
Equity securities at fair value	234.5	248.3
Mortgage loans	1,197.4	1,238.6
Policy loans	635.9	647.2
Venture capital investment in TeleCorp PCS, Inc.	174.6	258.6
Other invested assets	297.1	436.9
Total investments	25,446.1	25,017.6
Cash and cash equivalents:		
Held by the parent company	182.9	294.0
Held by the parent company in segregated accounts	52.4	81.9
Held by subsidiaries	1,307.4	1,287.7
Accrued investment income	518.0	467.1
Finance receivables	3,840.2	3,865.0
Finance receivables - securitized	13,750.6	12,622.8
Cost of policies purchased	1,663.6	1,954.8
Cost of policies produced	2,548.0	2,480.5
Reinsurance receivables	609.1	669.4
Goodwill, net of accumulated amortization	3,729.9	3,800.8
Income tax assets	700.5	647.2
Assets held in separate accounts and investment trust	2,200.9	2,610.1
Cash held in segregated accounts for investors	528.0	551.3
Cash held in segregated accounts related to servicing agreements and securitization transactions	833.8	866.7
Other assets	1,715.4	1,372.3
Total assets	59,626.8	58,589.2
Liabilities and shareholders' equity		
Liabilities:		
Liabilities for insurance and asset accumulation products:		
Interest-sensitive products	15,846.9	16,123.2
Traditional products	8,118.2	7,875.1
Claims payable and other policyholder funds	976.1	1,026.1
Liabilities related to separate accounts and investment trust	2,200.9	2,610.1
Liabilities related to certificates of deposit	1,992.4	1,873.3
Investor payables	528.0	551.3
Other liabilities	1,854.4	1,565.5
Investment borrowings	928.8	219.8
Notes payable:		
Direct corporate obligations	4,237.2	5,055.0
Direct finance obligations:		
Master repurchase agreements	1,288.2	1,802.4
Credit facility collateralized by retained interests in securitizations	562.5	590.0
Other borrowings	393.8	418.5
Related to securitized finance receivables structured as collateralized borrowings	13,841.1	12,100.6
Total liabilities	52,768.5	51,810.9
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts	1,912.7	2,403.9
Shareholders' equity:		
Preferred stock	498.4	486.8
Common stock and additional paid-in capital	3,481.5	2,911.8
Accumulated other comprehensive loss	(300.4)	(651.0)
Retained earnings	1,266.1	1,626.8
Total shareholders' equity	4,945.6	4,374.4
Total liabilities and shareholders' equity	$59,626.8	$58,589.2

- more -

Conseco, Inc.
Consolidated Statement of Operations (in millions)

	Quarter Ended Sept. 30:		Nine Months Ended Sept. 30:	
	2001	2000	2001	2000
Revenues:				
Insurance policy income	$1,005.2	$1,074.1	$3,058.0	$3,195.2
Net investment income	847.7	830.6	2,787.1	2,773.9
Gain on sale of finance receivables	6.0	1.9	21.6	4.5
Gain on sale of interest in Riverboat	0.0	0.0	192.4	0.0
Net investment losses	(180.1)	(74.4)	(333.7)	(227.9)
Fee revenue and other income	107.4	123.1	340.8	380.7
Total revenues	1,786.2	1,955.3	6,066.2	6,126.4
Benefits and expenses:				
Insurance policy benefits	836.0	1,000.0	2,611.1	3,086.7
Provision for losses	200.6	110.8	440.3	345.5
Interest expense	397.5	410.2	1,223.5	1,006.5
Amortization	212.8	128.7	641.5	512.2
Other operating costs and expenses	345.0	418.9	1,044.3	1,234.9
Special charges	14.7	253.3	70.5	580.5
Impairment charges	345.2	205.0	386.9	217.1
Total benefits and expenses	2,351.8	2,526.9	6,418.1	6,983.4
Loss before income taxes, minority interest, extraordinary gain (loss) and cumulative effect of accounting change	(565.6)	(571.6)	(351.9)	(857.0)
Income tax expense (benefit)	(186.5)	(179.8)	(97.2)	(212.7)
Loss before minority interest, extraordinary gain (loss) and cumulative effect of accounting change	(379.1)	(391.8)	(254.7)	(644.3)
Minority interest - distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts, net of income taxes	29.1	35.3	90.4	110.0
Loss before extraordinary gain (loss) and cumulative effect of accounting change	(408.2)	(427.1)	(345.1)	(754.3)
Extraordinary (gain) loss on extinguishment of debt, net of income taxes	(0.7)	4.9	4.0	5.0
Cumulative effect of accounting change, net of income taxes	0.0	55.3	0.0	55.3
Net loss	(407.5)	(487.3)	(349.1)	(814.6)
Less preferred stock dividends	3.1	2.2	11.6	8.9
Net loss applicable to common stock	($410.6)	($489.5)	($360.7)	($823.5)

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End of Filing