

CNO FINANCIAL GROUP, INC.

FORM 8-K (Current report filing)

Filed 09/03/08 for the Period Ending 06/30/08

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

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 3, 2008

CONSECO, INC.

(Exact name of registrant as specified in its charter)

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

(317) 817-6100

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On September 3, 2008, Conseco, Inc. (the "Company") issued additional information to be used in connection with the Keefe, Bruyette & Woods 2008 Insurance Conference to be held on September 4, 2008. A copy of this information is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

A copy of the presentation as well as a live audio webcast will be accessible through the investors section of the Company's web site as follows:
<http://investor.conseco.com/>.

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

Item 9.01(d). Financial Statements and Exhibits.

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

99.1 Presentation for the Keefe, Bruyette & Woods 2008 Insurance Conference.

SIGNATURES

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

CONSECO, INC.

September 3, 2008

By: */s/ John R. Kline*

John R. Kline
Senior Vice President and
Chief Accounting Officer



KBW 2008 Insurance Conference

September 4, 2008

Forward Looking Statements



Cautionary Statement Regarding Forward-Looking Statements . Our statements, trend analyses and other information contained in these materials relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other "forward-looking" information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) general economic, market and political conditions, including the performance and fluctuations of the financial markets which may affect our ability to raise capital or refinance our existing indebtedness; (ii) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (iii) mortality, morbidity, the increased cost and usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (iv) changes in our assumptions related to the cost of policies produced or the value of policies in force at the Effective Date; (v) the recoverability of our deferred tax asset and the effect of potential tax rate changes on its value; (vi) changes in accounting principles and the interpretation thereof; (vii) our ability to achieve anticipated expense reductions and levels of operational efficiencies including improvements in claims adjudication and continued automation and rationalization of operating systems; (viii) performance and valuation of our investments, including the impact of realized losses (including other-than-temporary impairment charges); (ix) our ability to identify products and markets in which we can compete effectively against competitors with greater market share, higher ratings, greater financial resources and stronger brand recognition; (x) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (xi) our ability to remediate the material weakness in internal controls over the actuarial reporting process that we identified at year-end 2006 and to maintain effective controls over financial reporting; (xii) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (xiii) our ability to achieve eventual upgrades of the financial strength ratings of Conseco and our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xiv) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xv) our ability to continue to satisfy the financial ratio and balance requirements and other covenants of our debt agreements; (xvi) regulatory changes or actions, including those relating to regulation of the financial affairs of our insurance companies, such as the payment of dividends to us, regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of products, and health care regulation affecting health insurance products; (xvii) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products; and (xviii) the receipt of regulatory approval and consummation of the plan to transfer Conseco Senior Health Insurance Company to an independent trust. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.



Non-GAAP Measures

This presentation contains certain financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP). Reconciliations between such non-GAAP measures and the comparable GAAP measures are included in the Appendix.

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

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



Conseco Today

Old Conseco

- Pursued roll-up strategy of insurance companies in the 1990s
 - Twelve acquisitions for a combined consideration of \$5.4Bn between 1990 and 1997
 - Seven acquisitions prior to 1990
- Made “diversifying” acquisition of manufactured housing lender Green Tree for \$6.0Bn in 1998
- Problems with Green Tree forced Conseco into bankruptcy in 2002 (insurance companies continued operating)
- Emerged from bankruptcy in 2003

New Conseco

- Focused provider of supplemental health, protection and accumulation products to the underserved senior middle market with over 4 million policyholders
- Operates through three active segments
 - Bankers Life: strong career agent franchise
 - Colonial Penn: direct distribution platform with solid growth potential
 - Conseco Insurance Group: independent agents
- Run-off segment
 - Primarily old acquired blocks of long term care (LTC) policies

Creating Value at Conseco: Fix, Focus, Grow



Fix

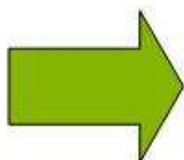
- Stabilize, then substantially eliminate run-off LTC exposure
- Improve CIG profitability
- Enhance control and data quality environment

Focus

- Use “Value of New Business” metric to guide marketing and sales efforts
- Realign Management
- Consolidate back office
- Align long-term incentive compensation with shareholder interests

Grow

- Focus on fast growing market segments where Conseco has the appropriate capabilities and competencies

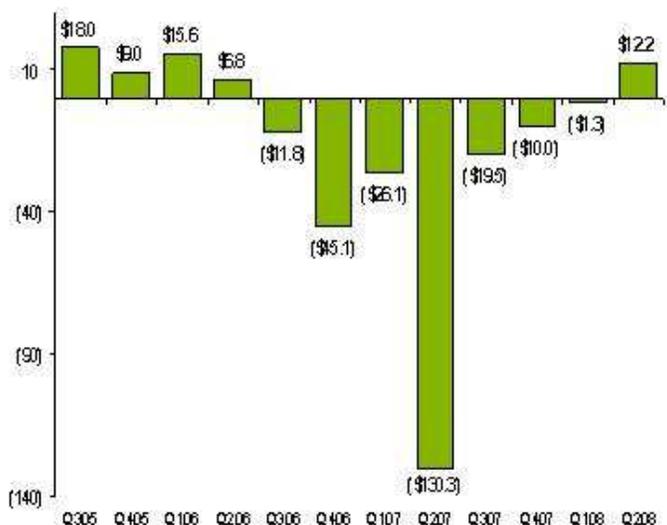


Achieve run-rate adjusted ROE of 11% by 2009

Fixing LTC Run-off: The Separation of CSHI



Run-off Segment Pre-Tax Operating Earnings (\$MM) (a)



Management Actions Taken Prior to Separation

- Stabilized LTC business
 - Strengthened reserves by \$200MM over the last 18 months
 - Installed experienced management team focused exclusively on LTC
 - Pursued premium rate increases where justified
- Improved customer service to LTC policy holders
 - Enhanced claims management
 - Outsourced most admin operations to the Long Term Care Group
 - Concluded multi-state insurance regulatory examination and started remediation

(a) A non-GAAP financial measure which excludes net realized investment gains (losses), net of related amortization. See the Appendix for a reconciliation to the corresponding GAAP measure.



CSHI Separation Transaction Overview

Key Transaction Terms

- CSHI (which houses 87% of run-off LTC business) to be transferred for no consideration to not-for-profit business trust set up to own and operate the business for the benefit of its LTC policyholders
- Pre-separation capital contribution of \$175MM to CSHI to raise total adjusted statutory capital to \$300MM
- Subject to approval by Pennsylvania Insurance Department
- Expected closing in Q4 2008

Conseco Rationale

- A balanced solution, considering the various stakeholders, to definitively separate CSHI from Conseco
- Separation eliminates potential source of earnings volatility and perceived call on Conseco's capital
- Allows capital to be applied to profitable, high growth businesses
- Improves rating profile, positioning Conseco for an upgrade over time
- Allows Conseco's management to focus exclusively on core businesses

7

Aggressively Pursuing Expense Reduction Opportunities



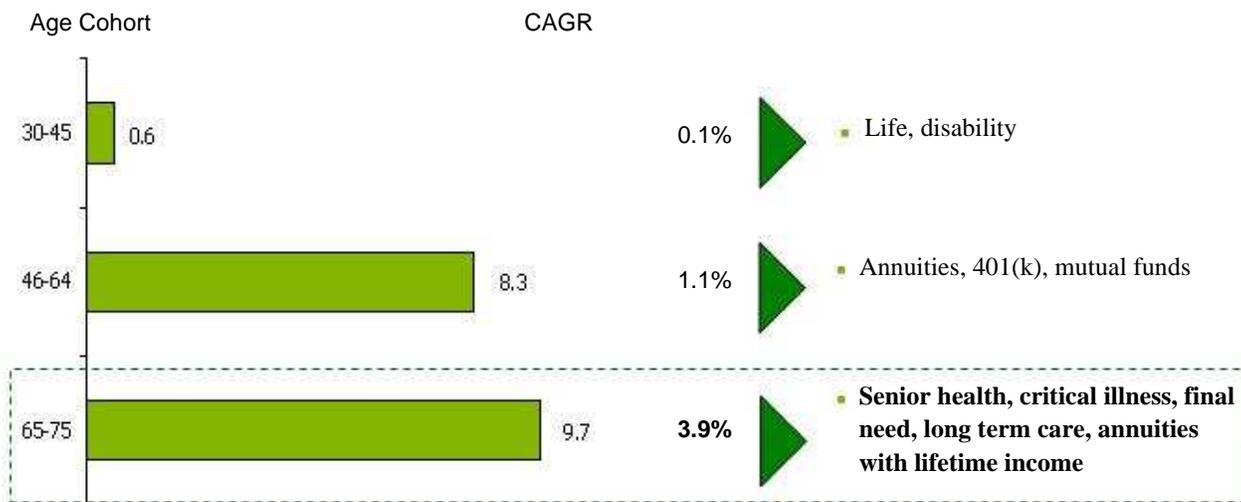
- Back-office consolidation and elimination of excess office space completed; expected to produce run-rate savings of \$25 million annually by year-end 2008
 - ◆ Approximately \$11 million in savings realized in 2007
 - ◆ Additional \$9 million expected in 2008
 - ◆ Remaining \$5 million expected in 2009
- Additional \$6 million annual impact from CIG reductions in sales and marketing expenses as a result of improved focus
 - ◆ \$2 million realized in 2007, full amount beginning in 2008

Focusing on the Fast Growing, Underserved Middle Income Senior Market



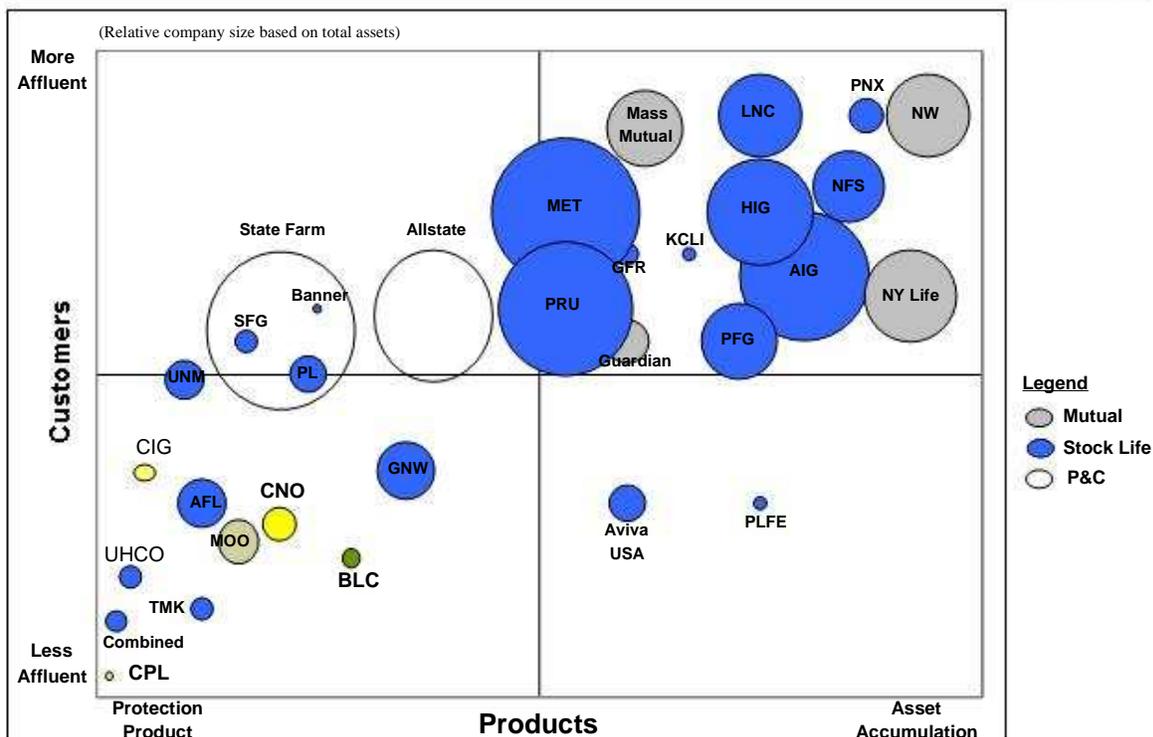
Growth of Population 2007-2017E (Million people)

Primary Insurance Product Needs



Source: U.S. Census Bureau

Few Competitors in Our Target Space



We Offer a Unique Value Proposition that is Closely Aligned to Important Trends in Our Target Market



Strong Trends Are Impacting Middle Market Consumers

- Rising medical costs
- Decline of societal safety nets (government & employer)
- Increased longevity
- Greater awareness of need for retirement planning



Conseco Has Expertise Across Important Middle Market Products

- Specified Disease
- Equity-Indexed Life and Annuity Products (Longevity Solutions)
- Long-Term Care
- Medicare Supplement
- Whole life products
- Final expense / Term insurance for protection



Able to Access Consumers Across Multiple Channels

- **With an Agent** (Retail)
 - Bankers
 - CIG - Independents
- **Without an Agent:** (Direct)
 - Colonial Penn
- **At Work:** (Worksite Marketing)
 - PMA Worksite Division (CIG-owned)
 - CIG - Independents

The Right Products and The Right Channels for Today's Middle Market Consumer

11

Exceptional Customer Reach

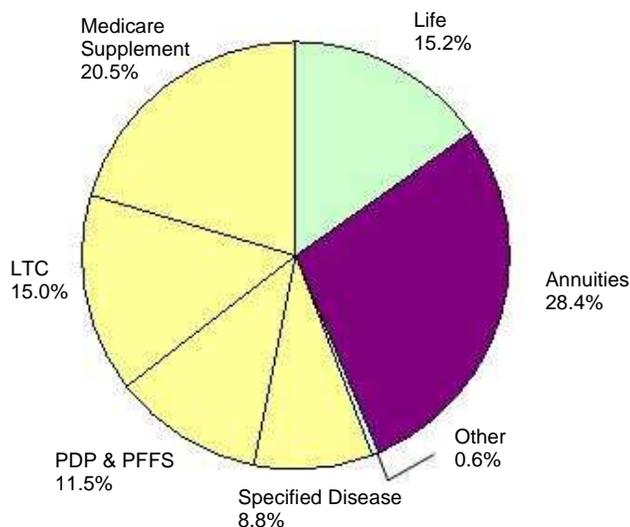


- Over 4 million Conseco policyholders
- Powerful Bankers career agent force
 - Over 5,000 contracted agents spread across 230 locations
 - 70 million Americans in broad target market; 2/3 live within 25 miles of a Bankers branch
 - 3 million annual home visits to prospects and 18 million phone calls
- Successful direct response effort
 - 28 million pieces of direct mail sent annually
 - 3% response rate
- "Touch" virtually every American turning 65

Conseco at a Glance: Collected Premiums and Pre-tax Income



6/30/08 Last Twelve Months ("LTM")
Collected Premiums by Product (a)

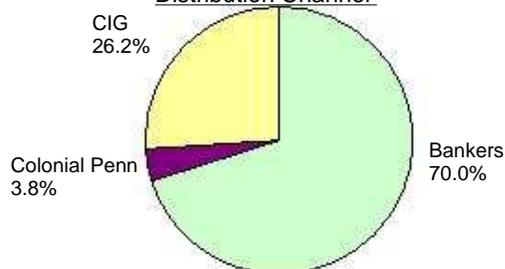


Total: \$4.1Bn

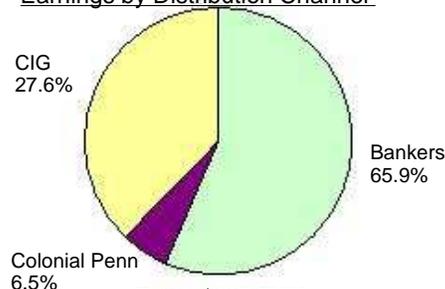
(a) Excludes LTC run-off

(b) A non-GAAP financial measure which excludes: (i) net realized investment gains (losses), net of related amortization; (ii) costs related to a litigation settlement; and (iii) the loss related to a coinsurance transaction. See the Appendix for a reconciliation to the corresponding GAAP measure.

6/30/08 LTM Collected Premiums by
Distribution Channel (a)



6/30/08 LTM Pre-Tax Operating
Earnings by Distribution Channel (a) (b)

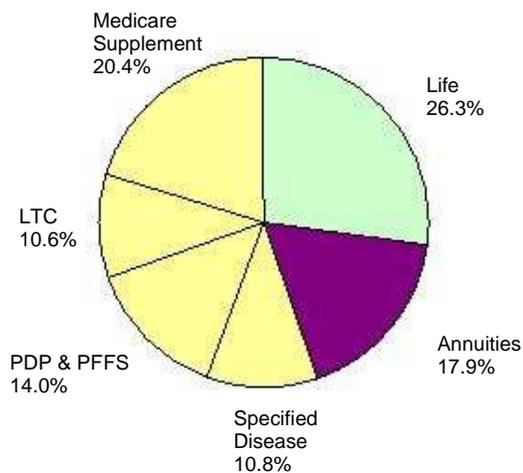


Total: \$287.5MM

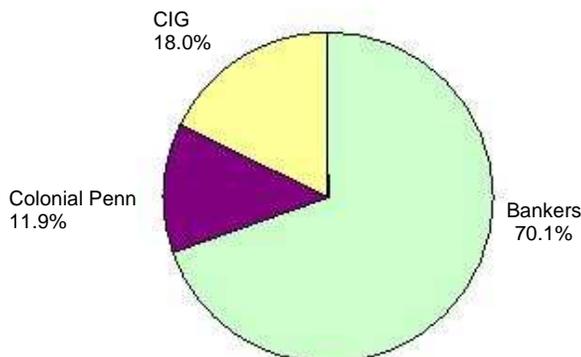
Conseco at a Glance: New Annualized Premiums ("NAP")



6/30/08 LTM NAP by Product



6/30/08 LTM NAP by Distribution
Channel

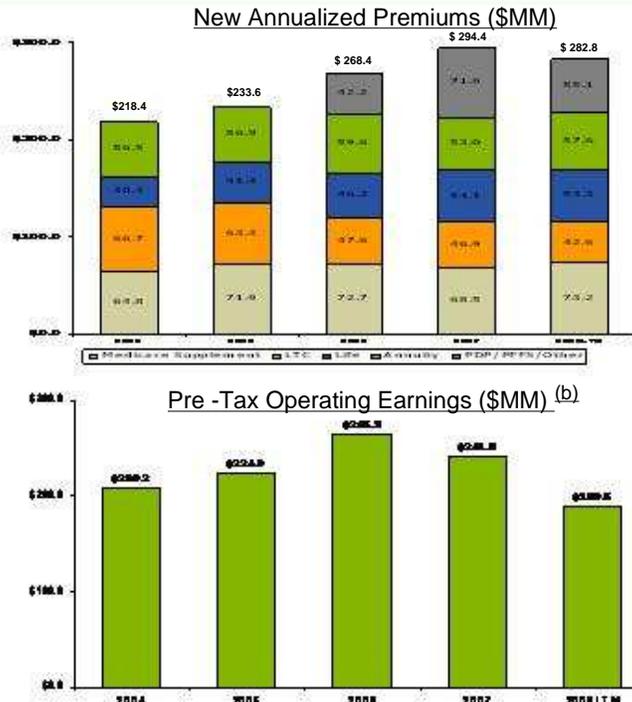


Total NAP: \$403.2MM



Bankers Life Overview

- Solid business with expanding low cost distribution
- Focused on the middle-class senior market with Medicare supplement, life, annuity, LTC, Medicare Part D and Medicare Advantage products
- “Kitchen-table” sales model through over 5,000 career agents and sales managers
- Strong momentum in recruitment
 - Agent count up 5% since 6/30/07
 - 8% YTD growth in new agents
 - 8% YTD growth in productive agents ^(a)
- Key initiatives
 - Continue growth in agents and improve agent productivity
 - Fix weakened profitability of LTC business through re-rates and claims management
 - Develop new products

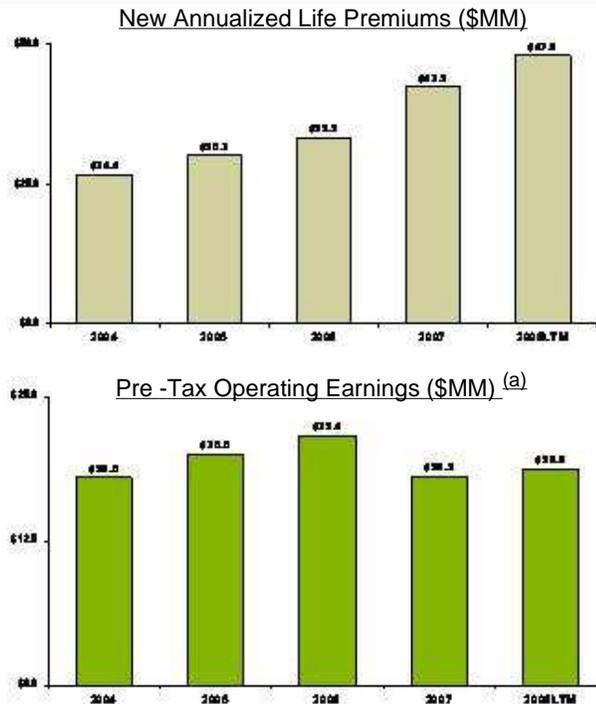


(a) Productive agents defined as agent who sold 4+ policies or earned \$2,000+ in commissions per month during the most recent 12 months
 (b) A non-GAAP financial measure which excludes net realized investment gains (losses), net of related amortization. See the Appendix for a reconciliation to the corresponding GAAP measure.



Colonial Penn Overview

- Focuses on lower middle-income retirees with simple, low cost life insurance products
- Direct response model with media and mail based lead generation with robust telemarketing support
- Well positioned in unique market niche with strong growth potential
 - 30% sales growth in 2007
 - Sustainable growth of 20% per year
- Low cost administrative platform
- Recent Accomplishments
 - Recaptured block of business ceded to Swiss Re in 2002
 - Launched mid-face life product



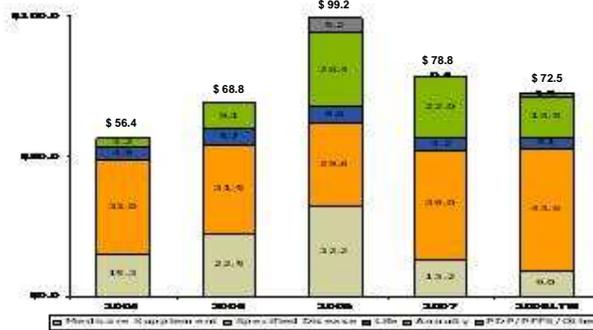
(a) A non-GAAP financial measure which excludes net realized investment gains (losses), net of related amortization. See the Appendix for a reconciliation to the corresponding GAAP measure.



CIG Overview

- Focused on middle income working Americans and retirees with suppl. health and protection products
- Distribution through 2,600 independent producers, including 590 from Performance Matters Associates (“PMA”), a wholly-owned marketing company
 - PMA currently generates 50% of new business focusing on profitable supplemental health products
 - Building new relationships, broadening supplemental health and life distribution
- Key markets
 - Worksite – small business, education, government, healthcare and credit unions
 - Individual – farm/rural and seniors
- Strategic goal of 10-15% profitable annual growth
- Achievements
 - Positive new business value for all products with optimization of business mix
 - Sales/marketing expenses realigned with market focus

New Annualized Premiums (\$MM)



Pre -Tax Earnings (\$MM) (a)

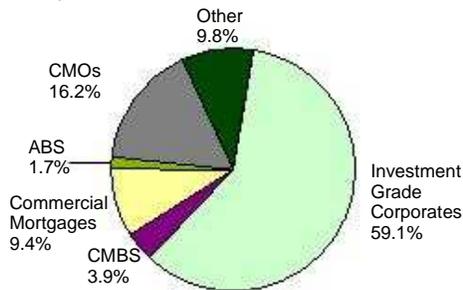


(a) A non-GAAP financial measure which excludes: (i) net realized investment gains (losses), net of related amortization; (ii) costs related to a litigation settlement; and (iii) the loss related to a coinsurance transaction. See the Appendix for a reconciliation to the corresponding GAAP measure.



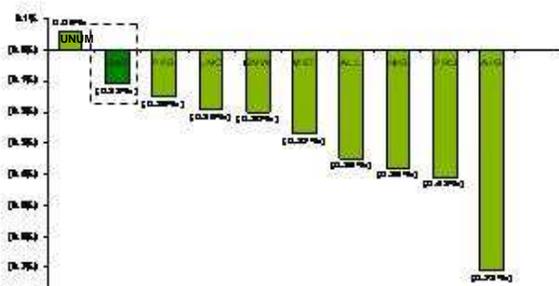
Limited Exposure to Troubled Asset Classes

Composition of Investments as of 6/30/08



- Structured securities represent 24% of total actively managed fixed maturity securities
 - Over 89% AAA rated
 - Over 40% agency CMOs
 - 11% Alt-A Assets (99% AAA rated)
 - No exposure to Agency preferred or common
- Below investment grade only 6% of portfolio
- \$102MM sub-prime home equity ABS
 - 90% pre-2006 vintage
 - Only \$22MM in A category or lower
- \$923MM CMBS exposure
 - Only \$273MM in A category or lower

2Q'08 Net Investments G/L as a % of Assets



Conseco Today



- A turnaround story
 - Strategic separation of most of LTC run-off nearing completion
 - Progress on improving profitability
- Strategic focus on senior middle market
 - Defined by our markets, not our products
 - Little competition in target segment
- Above average growth and profit potential
 - Demographics are favorable
 - Broad reach across the market

19



Appendix



Information Related to Certain Non-GAAP Financial Measures



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

Operating earnings measures

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

In addition, our results were affected by unusual and significant charges related to: (i) a litigation settlement in Q2 2006 and refinements to such estimates recognized in subsequent periods; (ii) a Q3 2007 charge related to a coinsurance transaction; and (iii) a Q4 2007 and Q2 2008 valuation allowance for deferred tax assets. Management believes an analysis of operating earnings before these charges is important to evaluate the performance of the Company prior to the effect of these unusual and significant charges.

21

Information Related to Certain Non-GAAP Financial Measures



A reconciliation of EBIT to net income applicable to common stock is as follows (dollars in millions):

	Year ended December 31,				Six months ended June 30,	
	2004 (Residual)	2005 (Residual)	2006 (Residual)	2007	2007 (Residual)	2008
EBIT, excluding costs related to a litigation settlement and loss related to a coinsurance transaction:						
Barkers Life	\$ 239.2	\$ 224.9	\$ 265.3	\$ 241.8	\$ 116.0	\$ 63.7
Colonial Penn	18.0	20.0	21.6	18.1	11.3	12.0
Commerce Insurance Group	255.3	233.4	189.6	102.7	76.8	53.3
Other Business (in Run-off)	60.7	50.9	(34.5)	(185.9)	(156.0)	10.9
Corporate Operations, excluding corporate interest expense	(55.9)	(23.0)	(27.1)	(16.9)	(16.2)	(25.2)
EBIT, excluding costs related to a litigation settlement and loss related to a coinsurance transaction	486.4	536.2	414.9	159.9	31.5	114.7
Costs related to a litigation settlement	-	-	(157.0)	(64.0)	(48.0)	-
Loss related to an annuity coinsurance transaction	-	-	-	(76.5)	-	-
Total EBIT	486.4	536.2	257.9	150.0	(66.5)	114.7
Corporate interest expense	(71.9)	(48.0)	(52.5)	(72.3)	(23.0)	(31.3)
Other (loss) or net (income) of other	2.8	(3.7)	(3.7)	-	-	-
Income (loss) before realized investment losses and losses	417.3	484.4	201.7	(52.3)	(49.5)	83.4
The expense (credit) on prior income	146.5	111.3	74.2	(19.2)	(17.5)	33.3
Income (loss) before realized investment losses and valuation allowance for deferred tax assets	270.8	595.7	275.9	(71.5)	(67.0)	116.7
Preferred stock dividends	(65.9)	(28.0)	(28.0)	(14.1)	(14.1)	-
Net operating income (loss) before realized investment losses and valuation allowance for deferred tax assets	204.9	567.7	247.9	(85.6)	(81.1)	116.7
Valuation allowance for deferred tax assets	-	-	-	68.0	-	(30.0)
Net operating income (loss)	204.9	567.7	247.9	(17.6)	(81.1)	(15.0)
Net realized investment losses, net of related annuities and losses	18.5	-	(24.1)	(7.8)	(23.5)	(17.0)
Net income (loss) applicable to common stock	\$ 223.4	\$ 567.7	\$ 223.8	\$ (25.4)	\$ (104.6)	\$ (32.0)

