CNO FINANCIAL GROUP, INC.

FORM 8-K
(Current report filing)

Filed 09/26/07 for the Period Ending 09/26/07

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

CONSECO INC

FORM 8-K
(Current report filing)

Filed 9/26/2007 For Period Ending 9/26/2007

Address	11825 N PENNSYLVANIA ST
	CARMEL, Indiana 46032
Telephone	317-817-6100
CIK	0001224608
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 26, 2007

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

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

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

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

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

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

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

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

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

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

Item 7.01. Regulation FD Disclosure.

On September 26, 2007, Conseco, Inc. (the "Company") issued additional information related to its long-term care business. A copy of this information is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained under Item 7.01 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 material is furnished as an exhibit to this Current Report on Form 8-K:

99.1 Additional information related to the Company's long-term care business.

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 26, 2007

By: /s/ Edward J. Bonach

Edward J. Bonach
Executive Vice President and
Chief Financial Officer

Conseco's Long-Term Care Business: A Primer

September 2007

Conseco, Inc.

Forward-Looking Statements

Cautionary Statement Regarding Forward-Looking Statements. Our statements, trend analyses and other information contained in these materials relative to markets for Conseco's products and trends in Conseco's operations or financial results, as well as other statements, contain forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by the use of terms such as "anticipate," "believe," "plan," "estimate," "expect," "project," "intend," "may," "will," "would," "contemplate," "possible," "attempt," "seek," "should," "could," "goal," "target," "on track," "comfortable with," "optimistic" and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our results of operations, financial position, and our business outlook or they state other ''forward-looking'' information based on currently available information. Assumptions and other important factors that could cause our actual results to differ materially from those anticipated in our forward-looking statements include, among other things: (i) our ability to obtain adequate and timely rate increases on our supplemental health products including our long-term care business; (ii) mortality, morbidity, usage of health care services, persistency, the adequacy of our previous reserve estimates and other factors which may affect the profitability of our insurance products; (iii) changes in our assumptions related to the cost of policies produced or the value of policies inforce at the Effective Date; (iv) 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; (v) performance of our investments; (vi) 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; (vii) the ultimate outcome of lawsuits filed against us and other legal and regulatory proceedings to which we are subject; (viii) 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; (ix) our ability to continue to recruit and retain productive agents and distribution partners and customer response to new products, distribution channels and marketing initiatives; (x) our ability to achieve an upgrade of the financial strength ratings of our insurance company subsidiaries as well as the potential impact of rating downgrades on our business; (xi) the risk factors or uncertainties listed from time to time in our filings with the Securities and Exchange Commission; (xii) 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; (xiii) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) our ability to sell products and access capital on acceptable terms, the returns on and the market value of our investments, and the lapse rate and profitability of policies; and (xiv) changes in the Federal income tax laws and regulations which may affect or eliminate the relative tax advantages of some of our products. Other factors and assumptions not identified above are also relevant to the forward-looking statements, and if they prove incorrect, could also cause actual results to differ materially from those projected. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement. Our forward-looking statements speak only as of the date made. We assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

A refresher on the typical features of long-term care policies

- Provide benefits for care provided in a long-term care facility or assisted living facility (but not a hospital), care received in one's home ("home health care"), or both
- Premiums are generally determined based on the age of the insured at issuance and are not scheduled to increase as insured ages
- Cannot be canceled, but are subject to certain conditions (regulatory approval and adverse morbidity experience), premium rates may be increased (guaranteed renewable)
- Policies that include coverage for long-term care facilities provide benefits for confinement to licensed nursing facilities, and in some cases, assisted living facilities
- May be subject to a waiting period (such as 90 days) and a limit of covered benefits (for a specified period, such as two years, or amount, such as $200,000)

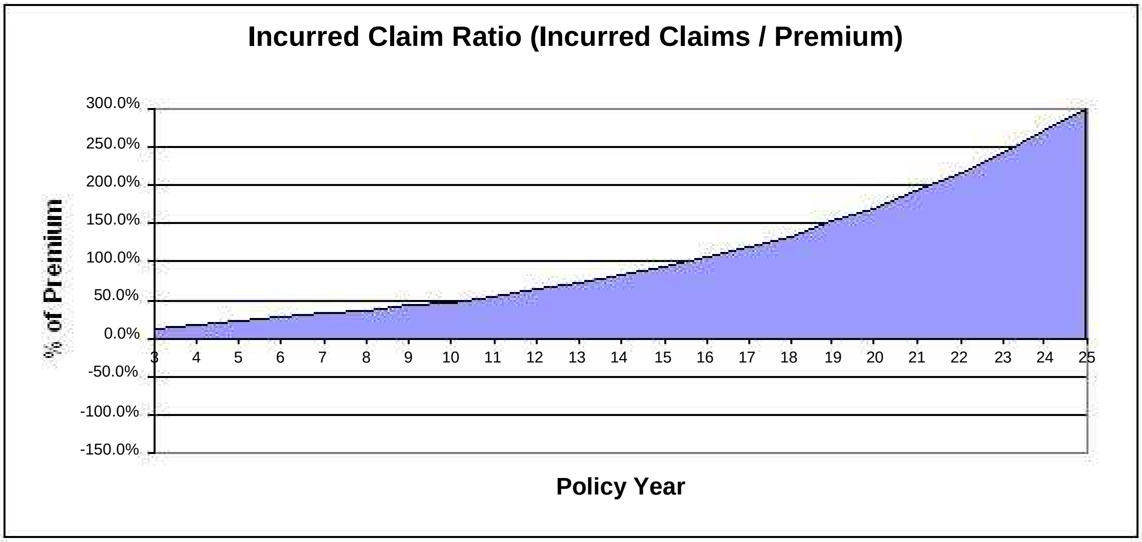
More details on benefits provided under long-term care policies

- Eligibility for benefits generally requires that the insured need assistance with at least two activities of daily living or have cognitive impairment that makes it unsafe for the insured to live unsupervised. Alternatively, eligibility under many older policies may be based on a physician's determination that care is medically necessary.
- Benefits are generally paid on an expense-incurred basis, subject to a daily maximum
- Benefits are paid for as long as insured remains eligible, or until the policy's maximum benefit period or maximum benefit amount has been reached
- Most policies include a waiver-of-premium benefit that waives the premium payable for the duration of the claim once the insured has received benefits, generally subject to a waiting period
- Many policies include a restoration-of-benefit feature that permits policy benefits to be replenished after the insured has recovered and has been independent for a specified period
- Some policies include an inflation feature, generally purchased as a rider to the base policy, which is intended to allow the benefit amounts purchased to keep pace with the rising cost of care

The life cycle of a block of long-term care policies

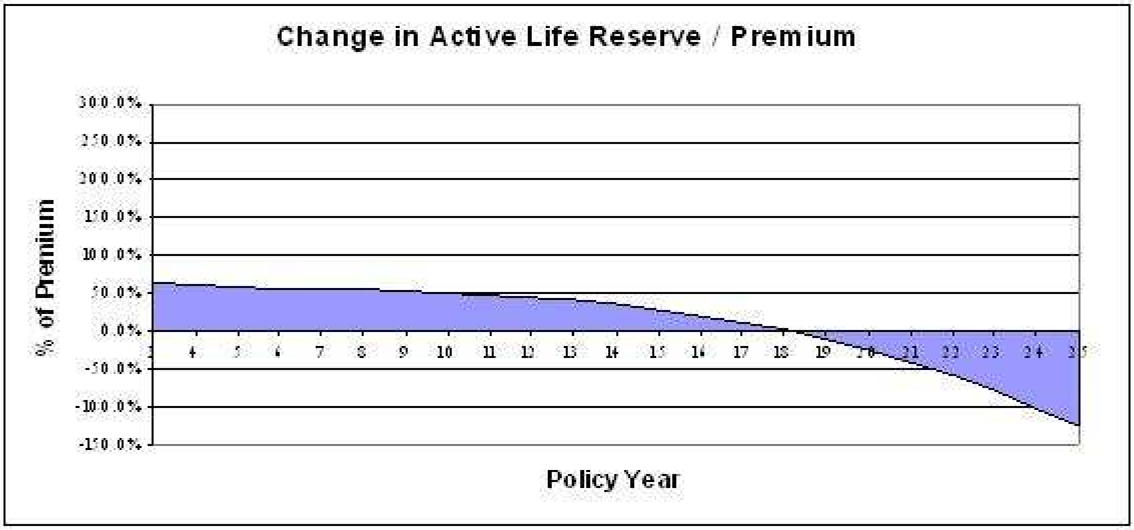
- Premiums are recognized as revenue when due
- Incurred claims are expected to be small in the early policy years and grow as policies age
- A substantial part of premiums collected are required to fund benefits payable in future periods and become part of the active life reserves
- Active life reserves essentially hold back a portion of premiums that would otherwise be reported as profits
- Active life reserves grow over the early years of a block of policies, when morbidity is low, and are released in the later years when morbidity is high
- The interest income earned on the assets supporting the reserves is an important factor in measuring the profitability of long-duration products
- If the assumptions used to determine active life reserves are correct, the increase in claim cost will be offset by a comparable reduction in active life reserves, plus investment income on the reserves

Long-term care business life cycle: Incurred claim ratios



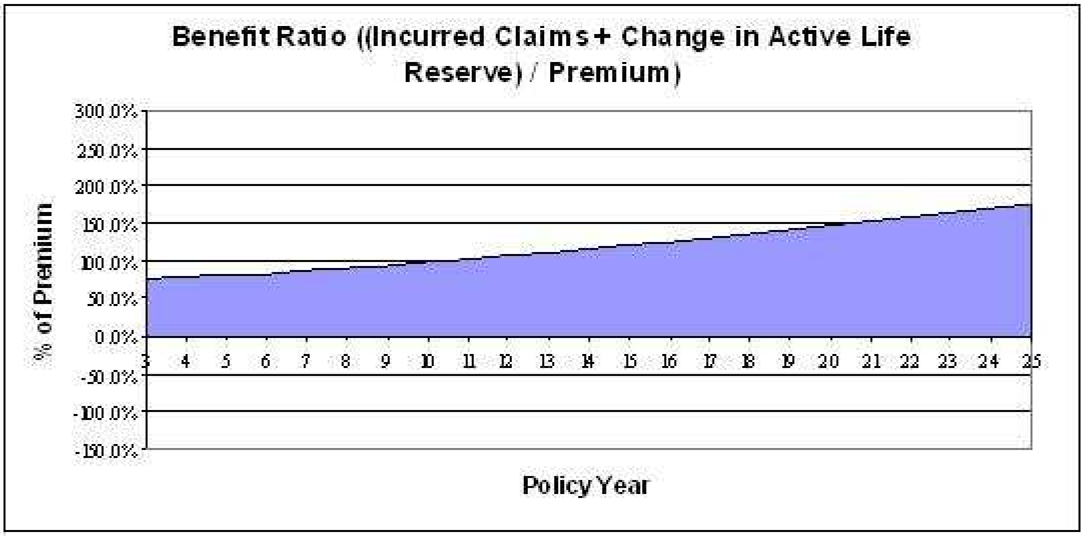
- Incurred claims are very low in the early years of a policy
- As policies age, the incurred claims ratio will increase, eventually exceeding 100%

Long-term care business life cycle: Change in active life reserve



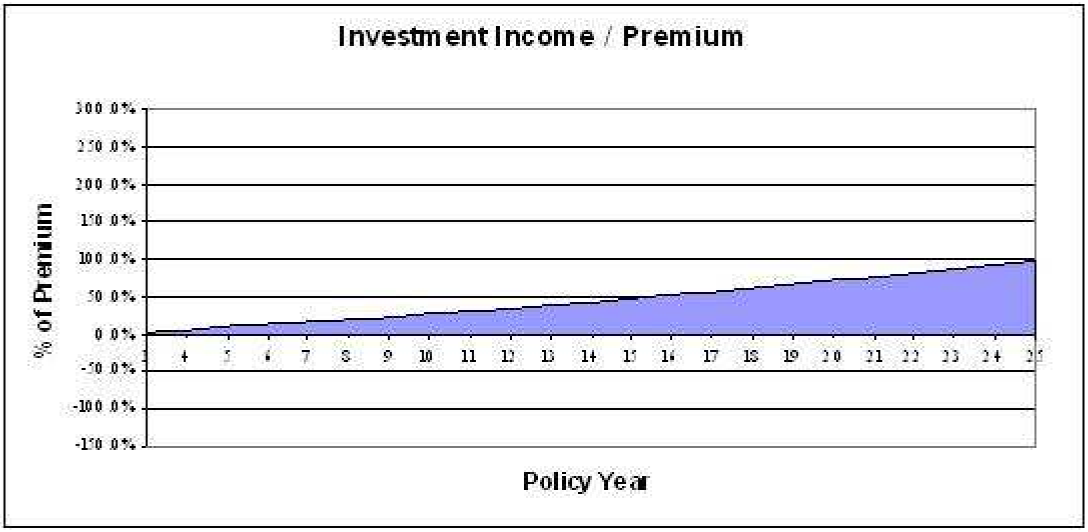
- A substantial part of the premium collected in early years is held back as active life reserves to fund the claims that will be incurred in the future
- Eventually, active life reserves begin to be released (Year 18 in this example). Such release will offset a portion of the claims incurred, as shown in the next slide.

Long-term care business life cycle: Total benefits incurred



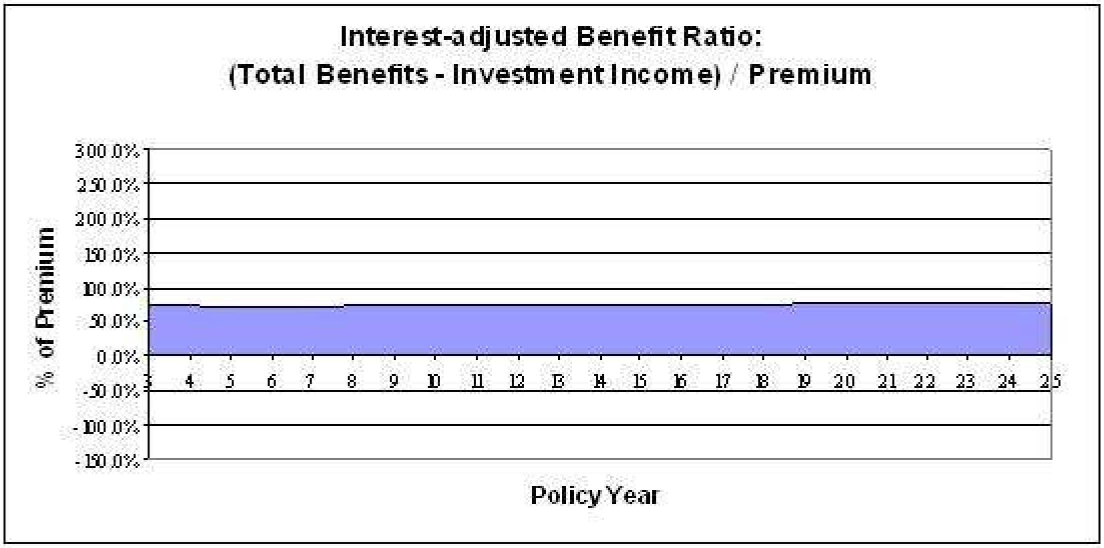
- When incurred claims and the change in active life reserves are combined, the increase over time is less severe
- However, the benefit ratio will increase over time, eventually exceeding 100%
- This increase is substantially offset by investment income, as shown in the next slide

Long-term care business life cycle: Investment income



- Investment income is earned on the assets supporting the reserves
- Such income becomes an increasingly important component of revenue over time

Long-term care business life cycle: Interest-adjusted benefit ratio



- The interest-adjusted benefit ratio, which includes the change in active life reserves and investment income, is expected to be level over time

Long-term care policies are subject to changing experience

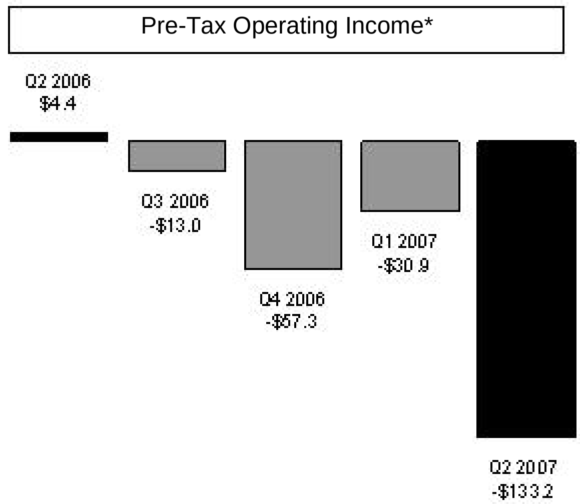
- Benefits are expected to increase over time as the insured ages, and actual profitability is sensitive to experience relating to several assumptions made in pricing. All LTC business, including ours, has experienced unfavorable development related to some of the following assumptions:
  - Incidence of claim – In some cases, more policyholders have received benefits than assumed in pricing, in part due to people living longer
  - Duration of claim – In some cases, benefits are being provided for longer periods than assumed in pricing, often because policyholders are living longer while receiving care
  - Persistency – In some cases, policyholders are not allowing their policies to lapse as frequently as assumed in pricing. This results in higher-than-expected claims in later policy years
  - Medical inflation – The cost of care has risen faster than expected
  - Interest rates – Many products were priced in times with higher interest rates
- As experience deteriorates, original expected profit margins decrease
- Rate increases may be necessary to return the business to profitability (or, in some cases, break even)
- This change in experience has most materially affected the performance of the Other Business in Run-off segment, as shown in the next slide
- Changes in interest rates can also have an impact on earnings. However, interest rate changes have not been a significant factor for our block in recent periods

Segment performance

Other Business in Run-off

($ millions)

- Recent experience from this block reflects significant increases to reserves related to prior-period claim development
- For example, the experience in Q2 2007 reflects $118 million of increases to prior-period incurred claim estimates
  - Such amount includes $110 million of strengthening adjustments to claim reserve methods and assumptions
- The next several slides summarize how long-term care reserves are determined



PTOI-Trailing 4 Quarters:	$62.7	$33.3	($41.9)	($96.8)	($234.4)
Revenues-Quarterly:	$126.8	$128.1	$127.9	$126.6	$125.8
Revenues -Tr. 4 Quarters:	$528.1	$519.6	$516.5	$509.4	$508.4
Collected Premiums-Quarterly:	$82.4	$80.4	$76.6	$81.2	$76.2

*Operating earnings exclude net realized gains (losses). See Appendix for corresponding GAAP measure of our consolidated results of operations.

A refresher on how long-term care reserves are determined

- There are two components of policyholder liabilities:
  - Active life reserves – Reserve for future policyholder benefits not yet incurred (calculated as the present value of future benefits, less future net premiums)
  - Claim reserves – Liability for all future payments for any claim incurred as of the valuation date, as well as payments due on valuation date (calculated as the present value of future payments on known claims, plus a provision for amounts due, plus a provision for unknown claims, referred to as incurred but not reported claims or "IBNR")

Balance Sheet detail

Other Business in Run-off

($ millions)

Insurance Liabilities and Intangible Assets, Net of Reinsurance

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007
Reserve for Future Benefits	**$2,413.3**	**$2,413.6**	**$2,412.7**	**$2,412.3**	**$2,409.1**
Claim Reserve	**731.4**	**734.8**	**801.2**	**816.5**	**940.4**
Insurance Acquisition Costs	**(181.8)**	**(176.2)**	**(170.9)**	**(165.2)**	**(159.5)**
Net Liability	**$2,962.9**	**$2,972.2**	**$3,043.0**	**$3,063.6**	**$3,190.0**
Percent Change	**-**	**0.3%**	**2.4%**	**0.7%**	**4.1%**

- **Active life reserves account for the largest component of total reserves, but have not been responsible for recent volatility**
- **Reserve increases in the last four quarters have related to claim reserves**
  - Q2 2007 claim reserve reflects expectation of continued adverse claim development
  - The claim reserve increase in Q2 2007 reflects $110 million of strengthening adjustments to claim reserve methods and assumptions
- **Insurance acquisition cost balance is 5% of net liability and is declining rapidly**
  - Balance remains recoverable under best-estimate assumptions

Active life reserves

- These reserves are calculated using assumptions estimated in the year a policy is issued (or, for business in force as of August 31, 2003 – the “fresh-start date” – the assumptions developed on that date)
  - Assumptions include estimates for persistency, claim costs, morbidity, interest rates, expenses and premium rate increases
- Once these assumptions are established, we are required under SFAS 60 to continue to use them unless our assessment of reserve adequacy indicates that the net liability plus future premiums are not adequate to cover future benefits and expenses; or when our premium rate increases deviate materially from original assumptions
- Our assessment of reserve adequacy is based on our most recent assumptions for persistency, morbidity, interest rates, expenses and premium rate increases, all or any of which may be different than the assumptions utilized in establishing our active life reserves. If premiums plus net liabilities (active life reserves plus claims reserves less insurance intangibles) were determined to be inadequate to fund future benefits and expenses, we would be required to write off all or a portion of our insurance acquisition costs
- When premium rate increases deviate materially from original assumptions, reserve assumptions are updated using a prospective method, whereby the impact is graded in over time

Claim reserves

- These reserves are for benefits to be paid in the future for our current claims (both reported and incurred but not reported claims). These reserves are determined using assumptions based on our current best estimate
- The significant assumptions utilized in establishing claim reserves include expectations about the duration, cost of care being reimbursed, the interest rate used to discount the claim reserves, claims that have been incurred but not yet reported, claims that have been closed but are expected to reopen, and assumptions about which claims that are currently in their eligibility review stage will eventually become claims that have payments associated with them
- We review “verified claim reserves” to determine the accuracy of past estimates, as described on the following page

Validation of claims incurred during a period

- "Verified basis" normalizes all periods for the impact of claim reserve deficiencies
  - Expected incurred losses are paid out over subsequent periods
  - At each reporting date, the incurred claims estimate for a particular period is restated or "verified" as the total payments to date, plus the current estimate of the claim reserve for future payments (for claims incurred in that period)

Verified incurred development*

Other Business in Run-off

		Q2 07	Q1 07	2006	2005	2004	Developed Deficiencies in Periods Prior to 2004
		Reporting Periods					
Reported Claims		221.5	119.7	433.4	396.0	370.8	
Prior Period Development		(108.5)	(34.9)	(71.9)	(58.7)	(44.1)	
Verified Claims as of Reporting Date		113.0	84.8	361.5	337.3	326.7	
		Verified Claims					
Developed through:							
	12/31/2004					326.7	44.1
	12/31/2005				337.3	326.1	103.5
	12/31/2006			361.5	365.0	337.6	136.1
	3/31/2007		84.8	375.5	368.8	344.1	146.7
	6/30/2007	113.0	104.2	418.1	388.9	356.2	160.9

- The experience related to the run-off block has been very volatile. Most of this business was written by certain subsidiaries prior to their acquisition by Conseco in 1996 and 1997.

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

Verified incurred development

Bankers Life LTC

	Reporting Periods					Developed Deficiencies in Periods Prior to 2004
	Q2 07	Q1 07	2006	2005	2004	
Reported Claims	108.0	104.2	398.3	341.2	294.1	
Prior Period Development	-	3.3	(0.5)	(4.3)	(1.0)	
Verified Claims as of Reporting Date	108.0	107.5	397.8	336.9	293.1	
	Verified Claims					
Developed through:						
12/31/2004					293.1	1.0
12/31/2005				336.9	296.6	1.8
12/31/2006			397.8	334.0	295.3	6.5
3/31/2007		107.5	394.8	333.0	295.8	6.7
6/30/2007	108.0	107.7	389.7	334.9	297.5	8.0

- The experience related to the Bankers Life long-term care block has not been as volatile as the run-off block. This business was written through our career agency distribution channel.

Q2 2007 earnings Other Business in Run-off

($ millions)	Q2 2006	Q2 2007 As Reported	Q2 2007 Verified Basis
Insurance policy income	$ 82.1	$ 78.1	$ 78.1
Net investment income	44.6	47.6	47.6
Fee revenue and other income	0.1	0.1	0.1
Total revenues	126.8	125.8	125.8
Insurance policy benefits	96.9	231.6	113.3
Amortization related to operations	3.5	5.8	5.8
Other operating costs and expenses	22.0	21.6	21.6
Total benefits and expenses	122.4	259.0	140.7
Income (loss) before net realized investment gains (losses) and income taxes	$ 4.4	$ (133.2)	$ (14.9)

- Our Q2 2007 reported earnings were affected by prior-period claim reserve development. Verified basis earnings normalizes the impact of prior-period deficiencies.

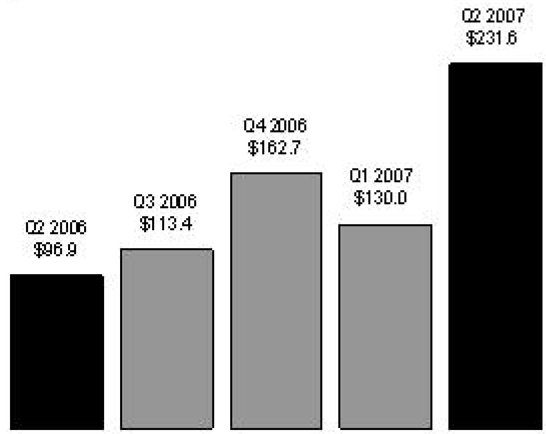
Management believes that an analysis of income (loss) before net realized investment gains (losses), net of related amortization (a non-GAAP financial measure), is important to evaluate the financial performance of our business, and is a measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because realized gains or losses can be affected by events that are unrelated to a company's underlying fundamentals. See Appendix for a reconciliation of the non-GAAP measure to the corresponding GAAP measure.

Benefit detail Other Business in Run-off

($ millions)

- **Incurred claims in all periods reflect volatility due to development of out-of-period incurred claim estimates**
  - Includes reserve strengthening adjustments of $110 million in Q2 2007
- **Increase (decrease) in active life reserves varies with persistency; Q2 2006 included $9.4 million release of redundant reserves**

Total Benefits



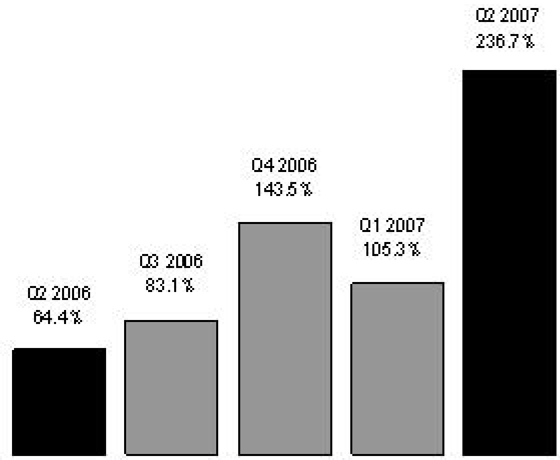
Incurred Claims	$117.3	$113.5	$164.0	$126.7	$234.9
Increase (Decrease) in Reserves for Future Benefits	$(20.4)	$(0.1)	$(1.3)	$3.3	$(3.3)
Verified Basis Incurred Claims	$116.5	$119.6	$124.5	$114.4	$116.6

Total benefits equal incurred claims plus increase in reserve for future benefits. Verified basis incurred claims adjust all periods for claim reserve redundancies and deficiencies.

Interest-adjusted benefit ratio*

Other Business in Run-off

- **Verified basis normalizes all periods for impact of claim reserve deficiencies**
  - Prior-period deficiencies increased benefit ratio by 152 percentage points in Q2 2007
- **Q2 2006 benefit reserve adjustment reduced benefit ratio by 11 percentage points**



Trailing 4 Quarter Avg.:	52.1%	60.1%	83.2%	99.0%	141.0%
Qtrly. non-int. adjusted:	118.0%	136.0%	198.2%	163.5%	296.7%
Qtrly. Verified Basis non-int. adjusted:	116.9%	143.5%	147.6%	148.1%	145.1%

*We calculate interest-adjusted benefit ratios by dividing insurance policy benefits less interest income on the accumulated assets backing the insurance liabilities by insurance policy income.

Claim counts and claims paid

Other Business in Run-off

	Q2 05	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07
Claims Paid ($ mils.)	$ 95.4	$ 107.4	$ 83.1	$ 90.4	$ 101.2	$ 96.1	$ 81.6	$ 102.0	$ 96.8
Claimant Counts	12,240	12,449	12,290	11,805	12,536	12,288	12,048	11,870	12,424

- Claimant count estimates remain around 12,000, with paid claims near $100 million (before inventory adjustments)

LTC persistency

	Q3 05	Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07
Policy Counts	202,804	201,649	197,585	194,080	190,134	187,123	183,655	179,952
Annualized Termination Rates	10.7%	2.3%	7.8%	6.9%	7.9%	6.2%	7.2%	7.8%

- Our termination rates have exceeded expectations in recent periods due to rate increases. However, we expect lower termination rates in future periods due to the large level of non-forfeiture elections that will be applicable. On the other hand, mortality, which currently accounts for approximately half of the terminations, is expected to increase as the block continues to age.

Summary Other Business in Run-off

- Significant steps to reduce claims reserve volatility
- Continued progress in business turnaround
  - $40 million – better claims management
  - Premium re-rates
    - $35 million (Round 1)
    - $22 million (Round 2)
- We believe we will return the “Other Business in Run-off” block to profitability in 2008

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Questions and Answers

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Appendix

Information Related to Certain Non-GAAP Financial Measures

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

Q2 Earnings CNO Consolidated

($ millions)	Q2 2006	Q2 2007
Bankers Life	$63.7	$65.5
Conseco Insurance Group	64.7	43.8
Colonial Penn	6.5	6.7
Other Business in Run-Off	4.4	(133.2)
Corporate operations, excluding interest expense	(5.0)	(8.0)
EBIT, excluding costs related to the proposed litigation settlement	134.3	(25.2)
Costs related to the proposed litigation settlement	(157.0)	(35.0)
Total EBIT*	(22.7)	(60.2)
Corporate interest expense	(12.0)	(16.9)
Loss before net realized investment losses and taxes	(34.7)	(77.1)
Tax benefit	12.5	27.3
Net loss before net realized investment losses	(22.2)	(49.8)
Preferred stock dividends	9.5	4.6
Net operating loss	(31.7)	(54.4)
Net realized investment losses, net of related amortization and taxes	(0.1)	(10.1)
Net loss applicable to common stock	($31.8)	($64.5)

*Management believes that an analysis of earnings before net realized investment gains (losses) and corporate interest and taxes ("EBIT," a non-GAAP financial measure) provides an alternative measure to compare the operating results of the company quarter-over-quarter because it excludes: (1) corporate interest expense; and (2) net realized gains (losses) that are unrelated to the company's underlying fundamentals. The chart above provides a reconciliation of EBIT to net loss applicable to common stock.