CONSECO INC

FORM 10-Q
(Quarterly Report)

Filed 08/14/96 for the Period Ending 06/30/96

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
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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 8/14/1996 For Period Ending 6/30/1996

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 June 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 August 5, 1996: 58,257,966

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS

	June 30, 1996 (unaudited)	December 31, 1995 (audited)
Investments:		
Actively managed fixed maturity securities at fair value (amortized cost: 1996 - $12,624.3; 1995 - $12,355.1)	$12,500.8	$12,963.3
Equity securities at fair value (cost: 1996 - $82.0; 1995 - $34.6)	82.3	36.6
Mortgage loans	311.0	339.9
Credit-tenant loans	309.7	259.1
Policy loans	301.2	307.6
Other invested assets	113.5	91.2
Short-term investments	146.7	189.9
Assets held in separate accounts	271.6	227.0
Total investments	14,036.8	14,414.6
Accrued investment income	228.1	207.8
Cost of policies purchased	1,209.5	1,030.7
Cost of policies produced	561.2	391.0
Reinsurance receivables	95.0	84.8
Income taxes	74.9	-
Goodwill (net of accumulated amortization: 1996 - $60.7; 1995 - $48.0)	908.3	894.1
Property and equipment (net of accumulated depreciation: 1996 - $40.3; 1995 - $36.3)	89.0	88.7
Securities segregated for the future redemption of redeemable preferred stock of a Partnership II entity	40.7	39.2
Other assets	182.8	146.6
Total assets	$17,426.3	$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

	June 30, 1996 (unaudited)	December 31, 1995 (audited)
Liabilities:		
Insurance liabilities	$13,546.9	$13,378.4
Income tax liabilities	-	93.3
Investment borrowings	445.0	298.1
Other liabilities	344.1	329.6
Liabilities related to separate accounts	271.6	227.0
Notes payable of Conseco	670.0	871.4
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	297.9	301.5
Notes payable of Partnership II entities, not direct obligations of Conseco	281.6	283.2
Total liabilities	15,857.1	15,782.5
Minority interest	292.3	403.3
Shareholders' equity:		
Preferred stock	536.5	283.5
Common stock and additional paid-in capital, no par value, 500,000,000 shares authorized, shares issued and outstanding: 1996 - 41,866,624; 1995 - 40,515,914	183.4	157.2
Unrealized appreciation (depreciation) of securities:		
Fixed maturity securities (net of applicable deferred income taxes: 1996 - $(30.0); 1995 - $66.8)	(56.0)	112.6
Other investments (net of applicable deferred income taxes: 1996 - $.2; 1995 - $.1)	.3	.1
Retained earnings	612.7	558.3
Total shareholders' equity	1,276.9	1,111.7
Total liabilities and shareholders' equity	$17,426.3	$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 June 30, 1996	Three months ended June 30, 1995 (restated)	Six months ended June 30, 1996	Six months ended June 30, 1995 (restated)
Revenues:				
Insurance policy income	$371.6	$362.6	$ 741.4	$ 730.2
Investment activity:				
Net investment income	288.2	286.1	561.9	556.9
Net trading income (losses)	(3.8)	4.2	(7.3)	6.0
Net realized gains	.8	73.0	10.2	74.5
Fee revenue	10.0	7.7	20.1	15.6
Restructuring income	-	-	30.4	-
Other income	5.7	3.5	7.6	6.2
Total revenues	672.5	737.1	1,364.3	1,389.4
Benefits and expenses:				
Insurance policy benefits	269.8	271.0	544.5	546.1
Change in future policy benefits	2.8	9.5	12.0	13.2
Interest expense on annuities and financial products	150.6	144.3	289.7	282.5
Interest expense on notes payable	25.8	26.2	54.2	52.4
Interest expense on investment borrowings	4.9	10.1	8.6	13.5
Amortization related to operations	54.9	53.1	99.5	104.5
Amortization related to realized gains	3.2	40.7	12.3	43.4
Other operating costs and expenses	59.2	65.7	122.0	131.5
Total benefits and expenses	571.2	620.6	1,142.8	1,187.1
Income before income taxes, minority interest and extraordinary charge	101.3	116.5	221.5	202.3
Income tax expense (benefit)	39.4	(21.8)	84.3	13.2
Income before minority interest and extraordinary charge	61.9	138.3	137.2	189.1
Minority interest	11.8	38.4	23.4	64.8
Income before extraordinary charge	50.1	99.9	113.8	124.3
Extraordinary charge on extinguishment of debt, net of taxes and minority interest	-	-	17.4	-

(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 June 30, 1996	Three months ended June 30, 1995 (restated)	Six months ended June 30, 1996	Six months ended June 30, 1995 (restated)
Net income	$50.1	$99.9	$96.4	$124.3
Less preferred stock dividends	9.1	4.6	17.2	9.2
Net income applicable to common stock	$41.0	$95.3	$79.2	$115.1
Earnings per common share and common equivalent share:				
Primary:				
Weighted average shares outstanding	52,567,000	42,645,000	51,125,000	43,153,000
Net income before extraordinary charge	$.87	$2.23	$2.05	$2.67
Extraordinary charge	-	-	.34	-
Net income	$.87	$2.23	$1.71	$2.67
Fully diluted:				
Weighted average shares outstanding	61,506,000	51,564,000	60,643,000	52,059,000
Net income before extraordinary charge	$.81	$1.94	$1.88	$2.39
Extraordinary charge	-	-	.29	-
Net income	$.81	$1.94	$1.59	$2.39

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)

	Six months ended June 30, 1996	Six months ended June 30, 1995
Preferred stock:		
Balance, beginning of period	$ 283.5	$ 283.5
Issuance of convertible preferred stock	267.1	-
Conversion of preferred shares into common stock	(14.1)	-
Balance, end of period	$ 536.5	$ 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	8.9	2.4
Tax benefit related to issuance of shares under employee benefit plans	15.5	.1
Conversion of preferred stock into common stock	14.1	-
Cost of issuance of convertible preferred stock	(9.2)	-
Cost of shares acquired charged to common stock and additional paid-in capital	(3.1)	(15.0)
Balance, end of period	$ 183.4	$ 153.3
Unrealized appreciation (depreciation) of securities:		
Fixed maturity securities:		
Balance, beginning of period	$ 112.6	$(137.7)
Change in unrealized appreciation (depreciation)	(168.6)	171.0
Balance, end of period	$ (56.0)	$ 33.3
Other investments:		
Balance, beginning of period	$ .1	$ (2.0)
Change in unrealized appreciation (depreciation)	.2	3.2
Balance, end of period	$ .3	$ 1.2
Retained earnings:		
Balance, beginning of period	$ 558.3	$ 437.4
Net income	96.4	124.3
Cost of shares acquired charged to retained earnings	(22.9)	(77.4)
Dividends on common stock	(1.9)	(3.0)
Dividends on preferred stock	(17.2)	(9.2)
Balance, end of period	$ 612.7	$ 472.1
Total shareholders' equity	$1,276.9	$ 943.4

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)

	Six months ended June 30, 1996	1995 (restated)
Cash flows from operating activities:		
Net income	$ 96.4	$ 124.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	115.8	152.3
Income taxes	(3.3)	(43.1)
Insurance liabilities	41.3	(19.7)
Interest credited to insurance liabilities	289.7	282.5
Fees charged to insurance liabilities	(58.4)	(51.7)
Accrual and amortization of investment income	(31.4)	(66.4)
Deferral of cost of policies produced	(139.2)	(153.6)
Restructuring income	(30.4)	-
Minority interest	17.6	55.0
Extraordinary charge on extinguishment of debt (before income tax)	26.7	-
Realized (gains) and trading (income) losses	(2.9)	(80.5)
Other	(38.9)	20.8
Net cash provided by operating activities	283.0	219.9
Cash flows from investing activities:		
Sales of investments	3,037.1	3,133.5
Maturities and redemptions	302.2	157.5
Purchases of investments	(3,622.8)	(3,877.8)
Purchase of property and casualty insurance brokerage businesses	(12.0)	-
Purchase of additional shares of Bankers Life Holding Corporation	-	(262.4)
Repurchase of equity securities by CCP Insurance, Inc	-	(44.5)
Repurchase of equity securities by Bankers Life Holding Corporation	(27.7)	-
Cash held by CCP Insurance, Inc. before consolidation	-	123.0
Other	(26.1)	(4.5)
Net cash used by investing activities	(349.3)	(775.2)
Cash flows from financing activities:		
Issuance of shares related to stock options and employee benefit plans	1.5	.4
Issuance of convertible preferred stock	257.9	-
Issuance of notes payable of Conseco, net	95.0	254.6
Issuance of debt of subsidiaries, net - not direct obligations of Conseco	309.1	-
Payments on notes payable of Conseco	(315.0)	(30.0)
Payments on notes payable of subsidiaries - not direct obligations of Conseco	(330.4)	(31.0)
Payments to repurchase equity securities of Conseco	(21.5)	(92.4)
Investment borrowings	146.9	456.5
Deposits to insurance liabilities	770.5	1,029.8
Withdrawals from insurance liabilities	(875.3)	(841.5)
Dividends paid	(15.6)	(14.6)
Net cash provided by financing activities	23.1	731.8
Net increase (decrease) in short-term investments	(43.2)	176.5
Short-term investments, beginning of period	189.9	295.4
Short-term investments, end of period	$ 146.7	$ 471.9

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. ("We", "Conseco" or the "Company").

BASIS OF PRESENTATION

Our unaudited consolidated financial statements as of and for the periods ended June 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 is now a wholly owned subsidiary of 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. ("AGP") on September 29, 1994 (the "Acquisition"). In 1996, AGP 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 owns 80 percent of the outstanding shares of AGP's common stock. Because Conseco Partnership Management, Inc., a wholly owned subsidiary of Conseco, is the sole general partner of Partnership II, Conseco controls Partnership II and AGP, even though its ownership interest is less than 50 percent. Because of this control, Conseco's consolidated financial statements are required to include the accounts of Partnership II and AGP. We accounted for the Acquisition using the purchase method of accounting. Under purchase accounting, we allocated the total purchase cost of AGP 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 AGP. At June 30, 1996, Conseco's ownership interest in AGP had increased to 36 percent due to: (i) the net result of changes in our ownership percentage in BLH and CCP (which have ownership interests in Partnership II and its subsidiaries); and (ii) the sale by AGP in November 1995 of 2,142,857 shares of its common stock for $30.0 million (including $13.2 million paid by Conseco and its subsidiaries) in a private placement transaction. These increases were partially offset by the following transactions which occurred in December 1994: (i) the sale of Conseco's 40 percent equity interest in WNC; and (ii) the sale of a portion of CCP's investment in AGP to an unaffiliated company.

In March 1996, Conseco announced that it would be dissolving Partnership II; changes in the regulatory and rating agency environment have made it impractical to structure leveraged acquisitions of life insurance companies in a manner which would produce the returns expected by the limited partners. Accordingly, the partners (including Conseco and its subsidiaries) have no further commitment to make additional contributions of capital to Partnership II. In accordance with the partnership agreement, all of Partnership II's assets (primarily its investment in AGP) will be distributed to its partners subject to the conditions contained in the partnership agreement. Partnership II is currently exploring various alternatives to liquidate its investment in AGP in order to maximize the distributions to the partners. Such alternatives include (but are not limited to): (i) an initial public offering of AGP's common stock; (ii) the sale of AGP to another company or investor group; or (iii) the purchase by the Company of the interest in AGP not currently owned by the Company. In any event, Partnership II's assets must be distributed within two years of the announcement of the dissolution.

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 category at December 31, 1995 or June 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 June 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	$12,624.3	$(123.5)	$12,500.8
Cost of policies purchased	1,154.9	54.6	1,209.5
Cost of policies produced	545.4	15.8	561.2
Income tax asset	57.2	17.7	74.9
Minority interest	271.7	20.6	292.3
Unrealized depreciation of fixed maturity securities	-	(56.0)	(56.0)

BANKERS LIFE HOLDING CORPORATION

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 90.5 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 6.3 percent at June 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 is .75 percent). At June 30, 1996, the total principal balance borrowed under the Credit Agreement was $260.0 million. 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 (the current fee is .25 percent per annum).

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.

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 June 30, 1996, senior subordinated notes with a par value of $31.6 million remain outstanding.

BLH can borrow up to $400 million under the new 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 June 30, 1996, was 6.0 percent. At June 30, 1996, the total principal balance borrowed under the revolving credit agreement was $268.0 million. 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.

Notes payable of Partnership II entities (not direct obligations of Conseco)

At June 30, 1996, $125.0 million principal amount was outstanding under AGP's senior credit facility. The senior credit facility also includes a $100.0 million revolving credit facility, under which no amounts were outstanding at June 30, 1996. The senior credit facility bears interest at defined rates as selected by AGP plus an applicable margin, which varies based on the implied senior debt rating of an AGP subsidiary. The actual weighted average interest rate was 7.2 percent at June 30, 1996. AGP pays a fee on the unused portion of the revolving credit facility of .2 percent to .5 percent per year, depending on the implied senior debt rating of an AGP subsidiary.

During the first six months ended June 30, 1996, $2.1 million principal amount of AGP's 6-1/4% Convertible Debentures due 2003 was converted and redeemed, leaving $13.0 million outstanding at June 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 $257.9 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 six months of 1996, 281,930 shares of Series D Convertible Preferred Stock and 300 shares of PRIDES were converted by holders of such shares into 442,750 shares of Conseco common stock.

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 six months of 1996, we issued 124,589 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 $1.5 million and the related tax benefit of $.4 million were added to common stock and additional paid-in capital.

During the first six months of 1996, we issued 29,881 shares of common stock to employee benefit plans. We also added $2.2 million to common stock and additional paid-in capital related to employee benefit plans.

CHANGES IN MINORITY INTEREST

Minority interest represents the interests of investors other than Conseco in BLH and Partnership II and its subsidiaries. Minority interest at June 30, 1996, included: (i) $49.7 million interest in the common stock of BLH; (ii) $99.0 million interest in the redeemable preferred stock of a subsidiary of AGP;
(iii) $12.4 million interest in preferred stock of AGP; and (iv) $131.2 million interest in Partnership II and the common stock of its subsidiaries.

Changes in minority interest during the first six 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:		
Purchase of BLH common stock by Conseco	-	(144.1)
Repurchase by BLH of its common stock	(18.7)	-
Repurchase by CCP of its common stock	-	(44.6)
Minority interests' equity in the change in financial position of the Company's subsidiaries:		
Net income	23.4	64.8
Unrealized appreciation (depreciation) of securities	(109.9)	228.7
Dividends	(5.8)	(10.8)
Minority interest, end of period	$ 292.3	$ 606.9

PRO FORMA DATA

The pro forma data are presented as if the following transactions had all 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; and (vi) the AGP financing transaction completed in the fourth quarter of 1995.

	Six months ended June 30,	
	1996	1995
	(Dollars in millions, except per share data)	
Revenues	$1,364.3	$1,386.1
Income before extraordinary charge	115.5	82.5
Income before extraordinary charge per common share:		
Primary	$2.05	$1.45
Fully diluted	1.88	1.38

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 2.0 million shares of Conseco common stock may be purchased in open market or negotiated transactions with independent parties. Participants may elect to purchase up to 50 percent of their participation in the form of Conseco PRIDES. Purchases are to be financed by personal loans to the participants from a bank. Such loans will be secured by the Conseco stock purchased. Conseco will guarantee the loans, but will have recourse to the participants if it incurs a loss under the guarantee. In May 1996, directors and officers of Conseco purchased approximately 1 million shares in the open market under the plan. At June 30, 1996, the bank loans guaranteed by Conseco totaled $39.3 million.

SUBSEQUENT EVENTS

On August 2, 1996, Conseco completed its merger with Life Partners Group, Inc. ("LPG"). As a result of the merger, LPG became a wholly owned subsidiary of Conseco. In the merger, each of the issued and outstanding shares of LPG common stock was converted into the right to receive 0.5833 of a share of Conseco common stock. A total of 16.3 million shares of Conseco common stock (or equivalent shares) with a value of $588.4 million were issued. The merger will be accounted for as a purchase in the third quarter of 1996.

On August 8, 1996, the Board of Directors of Conseco increased the regular quarterly cash dividend on the Company's common stock to 6-1/4 cents per share from 2 cents per share, effective with the next dividend payment on October 1, 1996.

In conjunction with AGP's efforts to reduce its operating expenses and improve its profitability, AGP recently announced its plan to close its home office operations in Des Moines, Iowa, and consolidate its operations with those of Conseco in Carmel, Indiana, by late 1996.

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.

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

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Life insurance operations:				
Senior market operations:				
Operating earnings	$28.0	$15.3	$53.4	$27.0
Net trading income (losses)	(.6)	1.1	(1.2)	1.1
Net realized gains (losses)	(.3)	1.9	(.1)	1.6
Extraordinary charge	-	-	(8.1)	-
Net income	27.1	18.3	44.0	29.7
Annuity operations:				
Operating earnings	13.5	4.1	24.0	8.2
Net trading income (losses)	(.6)	1.1	(1.5)	1.1
Net realized gains (losses)	(.7)	1.2	(.4)	1.3
Net income	12.2	6.4	22.1	10.6
Other life insurance operations:				
Operating earnings	3.7	2.0	6.6	6.4
Net trading losses	(.5)	(.6)	(.6)	(.6)
Net realized gains (losses)	(.1)	.6	(.2)	(.8)
Net income	3.1	2.0	5.8	5.0
Partnership II operations:				
Operating earnings	4.1	2.7	8.0	5.0
Net trading income (losses)	(.2)	-	(.2)	.1
Net realized gains	.2	2.8	.3	2.9
Net income	4.1	5.5	8.1	8.0
Total from life insurance operations:				
Operating earnings	49.3	24.1	92.0	46.6
Net trading income (losses)	(1.9)	1.6	(3.5)	1.7
Net realized gains (losses)	(.9)	6.5	(.4)	5.0
Extraordinary charge	-	-	(8.1)	-
Net income	46.5	32.2	80.0	53.3
Fee-based operations	9.0	10.8	20.5	22.7
Restructuring activities	-	66.5	17.7	66.5
Interest and other:				
Interest expense on notes payable	(10.1)	(4.6)	(20.6)	(8.8)
Net operating revenue (expense)	5.6	(3.3)	10.3	(8.3)
Net trading losses	-	(.8)	(.6)	(.2)
Net realized losses	(.9)	(.9)	(1.6)	(.9)
Extraordinary charge	-	-	(9.3)	-
Net loss	(5.4)	(9.6)	(21.8)	(18.2)
Consolidated earnings:				
Operating earnings	53.8	27.0	102.2	52.2
Net trading income (losses)	(1.9)	.8	(4.1)	1.5
Net realized gains (losses)	(1.8)	5.6	(2.0)	4.1
Restructuring income	-	66.5	17.7	66.5
Extraordinary charge	-	-	(17.4)	-
Net income	$50.1	$99.9	$96.4	$124.3

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

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Life insurance operations:				
Senior market operations:				
Operating earnings	$ .46	$ .30	$ .88	$ .52
Net trading income (losses)	(.01)	.02	(.02)	.02
Net realized gains (losses)	(.01)	.04	-	.03
Extraordinary charge	-	-	(.13)	-
Net income	.44	.36	.73	.57
Annuity operations:				
Operating earnings	.21	.08	.40	.16
Net trading income (losses)	(.01)	.02	(.03)	.02
Net realized gains (losses)	(.01)	.03	(.01)	.03
Net income	.19	.13	.36	.21
Other life insurance operations:				
Operating earnings	.06	.04	.11	.12
Net trading losses	(.01)	(.01)	(.01)	(.01)
Net realized gains (losses)	-	.01	-	(.02)
Net income	.05	.04	.10	.09
Partnership II operations:				
Operating earnings	.07	.06	.13	.09
Net trading income	-	-	-	-
Net realized gains	-	.05	-	.06
Net income	.07	.11	.13	.15
Total from life insurance operations:				
Operating earnings	.80	.48	1.52	.89
Net trading income (losses)	(.03)	.03	(.06)	.03
Net realized gains (losses)	(.02)	.13	(.01)	.10
Extraordinary charge	-	-	(.13)	-
Net income	.75	.64	1.32	1.02
Fee-based operations	.15	.20	.34	.44
Restructuring activities	-	1.29	.29	1.28
Interest and other:				
Interest expense on notes payable	(.16)	(.09)	(.34)	(.17)
Net operating revenue (expense)	.08	(.07)	.17	(.16)
Net trading losses	-	(.01)	(.01)	-
Net realized losses	(.01)	(.02)	(.02)	(.02)
Extraordinary charge	-	-	(.16)	-
Net loss	(.09)	(.19)	(.36)	(.35)
Consolidated earnings:				
Operating earnings	.87	.52	1.69	1.00
Net trading income (losses)	(.03)	.02	(.07)	.03
Net realized gains (losses)	(.03)	.11	(.03)	.08
Restructuring income	-	1.29	.29	1.28
Extraordinary charge	-	-	(.29)	-
Net income	$ .81	$1.94	$1.59	$2.39

Additional Discussion of Consolidated Statement of Operations for the First Six Months of 1996 Compared to the First Six Months of 1995 and the Second Quarter of 1996 Compared to the Second 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 June 30,		Six months ended June 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$324.3	$306.9	$644.0	$620.8
Investment activity:				
Net investment income	63.8	63.2	125.6	124.0
Net trading income	(1.0)	2.4	(2.0)	2.6
Net realized gains	2.1	12.6	5.3	10.9
Total revenues	389.2	386.9	773.5	761.0
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	242.0	236.7	487.8	477.2
Interest expense on annuities and financial products	20.3	18.3	40.2	38.0
Interest expense on notes payable	5.6	7.5	12.7	15.5
Interest expense on investment borrowings	1.5	2.7	2.3	3.4
Amortization related to operations	31.6	30.8	55.6	61.0
Amortization related to realized gains	2.5	7.6	5.4	6.6
Other operating costs and expenses	36.1	39.3	74.7	78.1
Income before taxes, minority interest and extraordinary charge	49.6	44.0	94.8	81.2
Income tax expense	19.3	15.5	36.8	30.6
Income before minority interest and extraordinary charge	30.3	28.5	58.0	50.6
Minority interest	3.2	10.2	5.9	20.9
Income before extraordinary charge	27.1	18.3	52.1	29.7
Extraordinary charge	-	-	8.1	-
Net income	27.1	18.3	44.0	29.7
Summarized by component, all net of applicable expenses, taxes and minority interest:				
Operating earnings	28.0	15.3	53.4	27.0
Net trading income (losses)	(.6)	1.1	(1.2)	1.1
Net realized gains (losses)	(.3)	1.9	(.1)	1.6
Extraordinary charge on extinguishment of debt	-	-	(8.1)	-
Net income	27.1	18.3	44.0	29.7

General. 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 62.5 percent and 90.3 percent for the first six 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 June 30, 1996, the BLH shares owned by Conseco had a net carrying value of $931.0 million, a fair value of $988.1 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 somewhat 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 second quarter of 1996 increased .9 percent over 1995, to $63.8 million. Average invested assets (amortized cost basis) increased to $3.5 billion in the second quarter of 1996, from $3.4 billion in the second quarter of 1995, while the yield earned on average invested assets declined to 7.2 percent from 7.4 percent. Net investment income in the first six months of 1996 increased 1.3 percent over 1995, to $125.6 million. Average invested assets (amortized cost basis) increased to $3.5 billion in the first six months of 1996 from $3.4 billion in 1995 while the yield earned on average invested assets decreased to 7.2 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 $1.1 billion of investments in the first six months of 1996, compared to $.5 billion in 1995, which sales resulted in net realized gains of $5.3 million and trading losses of $2.0 million in 1996, compared to net realized gains of $13.1 million and trading income of $2.6 million in 1995. In addition, during the first six months of 1995, BLH recorded a net realized loss of $2.2 million on the writedown of certain exchange- rate linked securities as a result of foreign currency fluctuations.

Selling securities at a gain and reinvesting the proceeds at a lower yield may, absent other management action, tend to decrease future 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 second quarter of 1996 increased 2.2 percent over 1995, to $242.0 million. In the first six months of 1996, this account increased 2.2 percent over 1995, to $487.8 million. Such increase reflects the increased amount of business in force on which benefits are incurred, net of improved experience in the Medicare supplement line in 1996.

Interest expense on annuities and financial products in the second quarter of 1996 increased 11 percent over 1995, to $20.3 million. Such increase reflects the increase in annuity liabilities resulting from increased annuity deposits. In the first six months of 1996, this account increased 5.8 percent over 1995, to $40.2 million. 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 June 30, 1996 and 1995.

Interest expense on notes payable in the second quarter of 1996 decreased 25 percent from 1995, to $5.6 million. In the first six months of 1996, this account decreased 18 percent from 1995, to $12.7 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 six months of 1996.

Interest expense on investment borrowings decreased as a result of changes in investment borrowing activities and the lower rates paid on such borrowings. BLH's average investment borrowings were $92.0 million and $126.1 million during the first six months of 1996 and 1995, respectively.

Amortization related to operations in the second quarter of 1996 increased 2.6 percent over 1995, to $31.6 million, and in the first six months of 1996 decreased 8.9 percent from 1995, to $55.6 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. 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), are expensed. 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 six months ended June 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 second quarter of 1996 decreased 8.1 percent from 1995, to $36.1 million, and in the first six months of 1996 decreased 4.4 percent from 1995, to $74.7 million, due to expense savings realized under the Company's expense reduction program partially offset by the expensing of commissions on policies issued prior to the most recent acquisitions of Conseco's ownership interest during the three and six month periods ended June 30, 1996 (see amortization related to operations). Prior to the acquisition of Conseco's most recent interest, 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 rate of 39 percent in the first six months of 1996 and 38 percent in the first six months of 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 June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 26.9	$27.8	$ 51.4	$54.3
Investment activity:				
Net investment income	103.9	99.5	197.0	190.3
Net trading income (losses)	(.9)	3.5	(2.3)	3.7
Net realized gains (losses)	(.4)	14.5	3.5	14.9
Total revenues	129.5	145.3	249.6	263.2
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	13.9	19.8	28.8	36.2
Interest expense on annuities and financial products	63.1	55.5	116.1	106.3
Interest expense on notes payable	3.1	5.3	7.0	10.5
Interest expense on investment borrowings	2.4	4.5	4.3	5.7
Amortization related to operations	10.0	9.6	17.9	19.0
Amortization related to realized gains	.7	8.1	4.1	8.2
Other operating costs and expenses	16.5	15.4	35.6	31.1
Income before taxes and minority interest	19.8	27.1	35.8	46.2
Income tax expense	7.6	10.7	13.7	19.0
Income before minority interest	12.2	16.4	22.1	27.2
Minority interest	-	10.0	-	16.6
Net income	12.2	6.4	22.1	10.6
Summarized by component, all net of applicable expenses, taxes, and minority interest:				
Operating earnings	13.5	4.1	24.0	8.2
Net trading income (losses)	(.6)	1.1	(1.5)	1.1
Net realized gains (losses)	(.7)	1.2	(.4)	1.3
Net income	12.2	6.4	22.1	10.6

General. The annuity operations include earnings from the former CCP subsidiaries, Beneficial Standard Life Insurance Company and Great American Reserve Insurance Company. 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 for the 1995 periods and 100 percent ownership for the 1996 periods. The minority interest adjustment removes from Conseco's net income the portion applicable to other owners during the first six months of 1995.

Insurance policy income consists of premiums received on traditional life insurance products and policy fund and surrender charges assessed against investment type products. In the first six months of 1996, this account decreased 5.3 percent from 1995, to $51.4 million and in the second quarter of 1996 decreased 3.2 percent from 1995, to $26.9 million as a result of a reduction in premiums on policies with mortality or morbidity risks.

Net investment income in the second quarter of 1996 increased 4.4 percent over 1995, to $103.9 million. In the first six months of 1996, this account increased 3.5 percent over 1995, to $197.0 million. Average assets and yield earned on average invested assets in the general account did not change materially in the second quarter or the first six months of 1996. Net investment income on separate account assets related to variable annuities in the second quarter of 1996 increased to $9.7 million from $3.7 million in 1995. Net investment income from separate account assets is offset by a corresponding charge to interest expense on annuities and financial products. Net investment income on separate account assets in the first six months of 1996 increased to $11.3 million from $4.0 million in 1995.

Net realized gains (losses) often fluctuate from period to period. The annuity operations sold $1.1 billion of actively managed fixed maturities in the first six months of 1996 compared to $.6 billion in 1995, which sales resulted in net realized gains of $4.8 million and trading losses of $2.3 million in the 1996 period compared to net realized gains of $15.3 million and $3.7 million of trading income in the 1995 period. In addition, annuity operations recorded a net realized loss of $1.3 million on the writedown of mortgage loans in 1996 and $.4 million on the writedown of an exchange-rate linked security in 1995 as a result of foreign currency fluctuations.

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.

Interest expense on annuities and financial products in the second quarter of 1996 increased 14 percent over 1995, to $63.1 million, and in the first six months for 1996 increased 9.2 percent over 1995, to $116.1 million. Such increases reflect 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 rate 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) was 5.2 percent and 5.6 percent at June 30, 1996 and 1995, respectively.

Interest expense on notes payable in the second quarter of 1996 decreased 42 percent from 1995, to $3.1 million, and in the first six months of 1996 decreased 33 percent from 1995, to $7.0 million. In the first six months of 1996, interest expense represents interest on 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 six months of 1995, interest expense represents interest on the $200 million of 10.5 percent senior notes. After the CCP Merger, these notes became a direct obligation of Conseco. The interest expense related to the senior notes is recorded in the "Interest and Other" segment after the CCP Merger date.

Interest expense on investment borrowings decreased during the 1996 periods due to a decrease in investment borrowing activities and lower interest rates paid on such borrowings. Average investment borrowings of annuity operations were $160.2 million and $203.9 million during the first six months of 1996 and 1995, respectively.

Amortization related to operations is affected by the additional purchase of CCP common stock in connection with the CCP Merger and by our use of the step-basis of accounting to record such purchase. Amortization related to operations in periods prior to the CCP Merger is comprised of amortization of the cost of policies purchased, cost of policies produced and goodwill, based on the previous balances and bases. Amortization related to operations after the CCP Merger is comprised of amortization of the aforementioned account balances, reflecting a combination of our ownership interests in the previous balances and our newly purchased interests using the step-basis of purchase accounting.

Amortization related to realized gains (losses) decreased in the 1996 periods as a result of the decrease in realized gains and losses discussed above.

Income tax expense decreased in the 1996 periods primarily due to a decrease in income before income taxes.

Minority interest was eliminated after Conseco acquired 100 percent ownership of CCP.

Other Life Insurance Operations:

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 12.2	$12.7	$24.0	$25.3
Investment activity:				
Net investment income	18.4	17.5	35.3	34.6
Net trading losses	(.8)	(.8)	(.9)	(.8)
Net realized losses	(.1)	(1.1)	(.1)	(2.1)
Total revenues	29.7	28.4	58.3	57.1
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	14.0	16.0	28.7	29.8
Interest expense on annuities and financial products	6.4	5.2	11.3	8.8
Amortization related to operations	1.2	1.2	2.4	2.4
Amortization related to realized gains (losses)	-	(1.9)	.3	(.7)
Other operating costs and expenses	3.1	4.5	6.4	8.3
Income before taxes	5.0	3.6	9.5	9.0
Income tax expense	1.9	1.6	3.7	4.0
Net income	3.1	2.0	5.8	5.0
Summarized by component, all net of applicable expenses and taxes:				
Operating earnings	3.7	2.0	6.6	6.4
Net trading losses	(.5)	(.6)	(.6)	(.6)
Net realized gains (losses)	(.1)	.6	(.2)	(.8)
Net income	3.1	2.0	5.8	5.0

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) an increase in investment income related to separate account activities (which was $6.1 million and $3.4 million in the first six months of 1996 and 1995, respectively, and is offset by a corresponding charge to interest expense on annuities and financial products); offset by (ii) a reduction in income from other invested assets.

Net realized losses often fluctuate from period to period. The other life insurance operations sold $70.0 million and $24.6 million of fixed maturity investments in the second quarter of 1996 and 1995, respectively, and $136.7 million and $34.2 million in the first six months of 1996 and 1995, respectively.

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). 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 June 30, 1996 and 1995, respectively.

Partnership II Operations:

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Revenues:				
Insurance policy income	$ 11.0	$ 15.2	$ 22.1	$29.8
Investment activity:				
Net investment income	101.4	105.4	203.4	207.5
Net trading income (losses)	(1.0)	.2	(1.0)	.8
Net realized gains	.6	48.3	4.0	52.1
Total revenues	113.4	170.8	231.2	293.6
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	5.0	7.9	11.2	16.0
Interest expense on annuities and financial products	60.8	65.3	122.0	129.4
Interest expense on notes payable	7.1	8.6	14.3	17.4
Interest expense on investment borrowings	.7	2.9	1.8	4.4
Amortization related to operations	11.8	11.5	23.1	22.0
Amortization related to realized gains	-	26.8	2.5	29.2
Other operating costs and expenses	6.2	8.1	13.0	16.1
Income before taxes and minority interest	21.8	39.7	43.3	59.1
Income tax expense	9.1	16.0	18.2	23.8
Income before minority interest	12.7	23.7	25.1	35.3
Minority interest	8.6	18.2	17.0	27.3
Net income	4.1	5.5	8.1	8.0
Summarized by component, all net of applicable expenses, taxes, and minority interest:				
Operating earnings	4.1	2.7	8.0	5.0
Net trading income (losses)	(.2)	-	(.2)	.1
Net realized gains	.2	2.8	.3	2.9
Net income	4.1	5.5	8.1	8.0

General. All activities of AGP are included in Conseco's financial statements on a consolidated basis. However, the minority interest adjustment removes from Conseco's net income the portion applicable to other owners so that net income reflects only Conseco's applicable average ownership interest of 25 percent in the first quarter of 1995, 26 percent in the second quarter of 1995 and 36 percent in the 1996 periods.

Insurance policy income consists of premiums received on traditional life insurance products and policy fund and surrender charges assessed against investment-type products. In the second quarter of 1996, this account decreased 28 percent from 1995, to $11.0 million, and in the first six months of 1996 decreased 26 percent from 1995, to $22.1 million. Insurance premiums decreased by $5.4 million in the second quarter and $9.7 million in the first six months of 1996 because group life insurance business was coinsured to an unaffiliated company at the end of 1995. Such decrease was partially offset by an increase in surrender charges earned on annuity policy withdrawals. Surrender charges assessed against annuity withdrawals were $4.9 million and $3.9 million in the second quarters of 1996 and 1995, respectively, and $9.1 million and $7.4 million for the first six months of 1996 and 1995, respectively. Annuity policy withdrawals were $215.1 million in the second quarter of 1996 compared to $218.0 million in 1995. Such withdrawals were $397.5 million in the first six months of 1996 compared to $394.8 million in 1995.

Net investment income in the second quarter of 1996 decreased 3.8 percent from 1995, to $101.4 million. Average invested assets (amortized cost basis) increased to $5.0 billion in the second quarter of 1996 from $4.8 billion in the second quarter of 1995 while the yield earned on average invested assets declined to 8.2 percent from 8.8 percent. Net investment income in the first six months of 1996 decreased 2.0 percent from 1995, to $203.4 million. Average invested assets in the first six months of 1996 increased 6.4 percent over 1995, to $5.0 billion. The yield earned on average invested assets declined to 8.2 percent in the first six months of 1996 from 8.9 percent in 1995. Cash flows received during 1995 and the first six months of 1996 (including cash flows from the sales of investments) were invested in lower-yielding securities due to the general decline in interest rates.

Net realized gains often fluctuate from period to period. AGP sold approximately $.6 billion of investments (principally fixed maturities) in the first six months of 1996, compared to $1.3 billion in the first six months of 1995. These sales resulted in net realized gains of $4.0 million and trading losses of $1.0 million in 1996, compared to net realized gains of $53.6 million and trading income of $.8 million in 1995. In addition, during the first six months of 1995, AGP recorded a realized loss of $1.5 million on an investment as a result of changes in conditions which caused AGP to conclude that the decline in its fair value was other than temporary. The declining interest rate environment since the Acquisition date, which increased the market value of fixed maturity securities, contributed to AGP's ability to realize gains on investment sales in both periods.

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 below).

Interest expense on annuities and financial products in the second quarter of 1996 decreased 6.9 percent from 1995, to $60.8 million and in the first six months of 1996 decreased 5.7 percent from 1995, to $122.0 million. Such decreases were primarily due to: (i) lower crediting rates; and (ii) the expensing in the first six months of 1995 of first-year interest rate bonuses of approximately $4.0 million on policies issued prior to the Acquisition date, as a result of the application of purchase accounting on the Acquisition date. Prior to the Acquisition date, such first-year interest rate bonuses (related to policies issued prior to the Acquisition date) were capitalized as a cost of policies produced. At June 30, 1996, the weighted average crediting rate for AGP's annuity liabilities, excluding interest rate bonuses guaranteed for the first year of the annuity contract, was 5.0 percent compared to 5.4 percent at June 30, 1995.

Interest expense on notes payable in the first six months of 1996 decreased 18 percent from 1995, to $14.3 million. AGP made scheduled and unscheduled reductions in outstanding indebtedness and benefited from more favorable interest rates on its borrowings.

Interest expense on investment borrowings in the first six months of 1996 decreased 59 percent from 1995, to $1.8 million, due to a decrease in investment borrowing activities and lower interest rates paid on such borrowings. AGP's average investment borrowings were $66.4 million and $154.1 million during the first six months of 1996 and 1995, respectively.

Amortization related to operations consists of amortization of goodwill, the cost of policies purchased for business in force at the Acquisition date, and the cost of policies produced subsequent to the Acquisition date. In the second quarter of 1996, this account increased 2.6 percent over 1995, to $11.8 million, and in the first six months of 1996 increased 5.0 percent over 1995, to $23.1 million. Higher amortization of the cost of policies produced reflected an increase in the amount of business in force issued since the Acquisition date.

Amortization related to realized gains decreased in 1996 as a result of lower realized gains.

Income tax expense in the first six months of 1996 decreased 24 percent from 1995, to $18.2 million, primarily due to the decrease in pretax income. The effective tax rates of 42 percent for 1996 and 40 percent for 1995 exceeded the statutory corporate tax rate (35 percent) primarily because goodwill amortization cannot be deducted for federal income tax purposes.

Minority interest in the 1996 and 1995 periods includes: (i) dividends on preferred stock of a subsidiary of AGP; (ii) dividends on preferred stock of AGP issued to finance a portion of the Acquisition; and (iii) the portion of earnings applicable to minority common shareholders. The reduction in the rate of minority interest to income before minority interest reflects the increase in Conseco's ownership interest in AGP as discussed above.

Fee-Based Operations:

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Revenues:				
Investment management	$ 10.8	$11.6	$22.0	$22.7
Commissions	6.6	2.7	12.9	5.7
Administrative services, net of directly related expenses	9.3	11.9	19.4	23.8
Total revenues	26.7	26.2	54.3	52.2
Less intercompany eliminations	(16.7)	(18.5)	(34.2)	(36.6)
Revenues reported	10.0	7.7	20.1	15.6
Net income attributable to:				
Investment management	4.4	5.5	8.6	10.5
Commissions	(1.3)	(1.4)	(.8)	(1.4)
Administrative services	5.9	6.7	12.7	13.6
Net income	9.0	10.8	20.5	22.7

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 June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Gain on sale of investment in Noble Broadcast Group, Inc.	$ -	$ -	$31.8	$ -
Non-recurring expenses of AGP	-	-	(1.4)	-
Total revenues	-	-	30.4	-
Income tax expense (benefit)	-	(66.5)	12.2	(66.5)
Minority interest	-	-	.5	-
Net income	-	66.5	17.7	66.5

Restructuring income in the first six months of 1996 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 a 75 percent 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 $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 BLH. Non-recurring expenses represent costs associated with the consolidation of AGP's Alabama operations with its home office operations.

Interest and Other:

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
	(Dollars in millions)			
Net investment income	$4.1	$ 1.9	$8.5	$3.3
Total revenues	7.0	(.5)	9.4	1.7
Interest expense on notes payable	15.4	7.1	31.7	13.5
Other operating costs and expenses	.7	7.2	2.2	16.8
Income tax benefit	3.7	5.2	12.0	10.4
Loss before extraordinary charge	5.4	9.6	12.5	18.2
Extraordinary charge on extinguishment of debt	-	-	9.3	-
Net loss	5.4	9.6	21.8	18.2

The "Interest and Other" segment includes financing costs for debt on which Conseco is directly liable and the costs associated with the holding company operations.

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.

Total revenues in the first six months of 1996 include realized losses and trading losses of $3.4 million, compared to realized losses and trading losses of $1.6 million in the first six months of 1995.

Interest expense on notes payable increased in the first six 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; and (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.

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 June 30,		Six months ended June 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Senior market operations	$372.8	$378.7	$ 757.9	$ 786.0
Annuity operations	178.4	193.9	347.5	397.7
Other life insurance operations	18.5	18.9	37.5	39.9
Partnership II operations	179.9	252.4	358.7	502.0
Total premium collections	$749.6	$843.9	$1,501.6	$1,725.6

Premiums collected by senior market operations for the second quarter of 1996 were $372.8 million, of which $57.0 million were recorded as deposits to policy liability accounts. This compares to $378.7 million collected and $75.1 million recorded as deposits to policy liability accounts in the second quarter of 1995. Premiums collected by BLH for the first six months of 1996 were $757.9 million, of which $111.0 million were recorded as deposits to policy liability accounts. This compares to $786.0 million collected and $156.8 million recorded as deposits to policy liability accounts in the first six months of 1995. Collected premiums by type were as follows:

	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
	(Dollars in millions)			
Individual health:				
Medicare supplement	$149.5	$146.0	$312.6	$305.9
Long-term care	47.1	39.5	92.9	77.1
Other	19.3	24.2	40.2	50.1
Total individual health	215.9	209.7	445.7	433.1
Annuities	54.8	70.7	108.6	150.7
Individual life	24.2	24.3	48.6	48.3
Group and other	77.9	74.0	155.0	153.9
Total	$372.8	$378.7	$757.9	$786.0

Medicare supplement premiums increased 2.4 percent in the second quarter of 1996 and increased 2.2 percent in the first six 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 six months of 1996 totaled 24,339, down 28 percent compared to the first six months of 1995. Annualized new business premiums from such new sales totaled $23.5 million in the first six months of 1996 compared to $30.1 million in the first six 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 19 percent in the second quarter of 1996 and 20 percent in the first six months of 1996, compared to the same periods in 1995. Long-term care premiums accounted for 12 percent of total collected premiums in 1996 compared to 9.8 percent in 1995. The continued growth in this product line reflects new product introductions, the competitiveness of BLH's existing 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 $21.7 million in the first six months of 1996, up 15 percent over the same period in 1995.

Annuity premiums decreased 22 percent in the second quarter of 1996 and decreased 28 percent in the first six months of 1996 compared to the same periods in 1995. Annuity sales throughout the industry (including the Conseco Companies) 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 20 percent in the second quarter of 1996 and in the first six 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 six months of 1996 were $347.5 million, of which $285.1 million were recorded as deposits to insurance liability accounts. This compares to $397.7 million collected and $363.5 million recorded as deposits to insurance liability accounts in the first six months of 1995. The decrease in total premiums collected was reflected in decreased sales of single premium deferred annuities by: (i) professional independent producers ($177.2 million in 1996 versus $206.2 million in 1995), and (ii) educator market specialists ($18.6 million in 1996 versus $31.0 million in 1995). Total premiums collected through professional independent producers were $203.1 million in the first six months of 1996, a 15 percent decrease, and comprised 58 percent of collected premiums. Total premiums collected through educator market specialists were $143.3 million in the first six months of 1996, an 8.8 percent decrease, and comprised 41 percent of collected premiums.

Premiums collected by other life insurance operations decreased 2.1 percent to $18.5 million in the second quarter of 1996 and decreased 6.0 percent to $37.5 million in the first six months of 1996 compared to the same periods in 1995. Conseco's wholly owned subsidiaries were not actively marketing new products during the reported periods.

Premiums collected by Partnership II operations in the first six months of 1996 were $358.7 million, of which $353.0 million (primarily annuity products) were recorded as deposits to policy liability accounts. This compares to $502.0 million collected and $486.6 million recorded as deposits to policy liability accounts in the first six months of 1995.

LIQUIDITY AND CAPITAL RESOURCES

Changes in the consolidated balance sheet between December 31, 1995, and June 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 June 30, 1996, the amortized cost of such investments was decreased by $123.5 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 six 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; and (iii) dividends paid to the minority interest offset by (iv) 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 six months of 1996 resulted primarily from the issuance of the PRIDES and an increase in retained earnings attributable to the Company's operations, partially offset by the change in unrealized appreciation (depreciation) to reflect the decrease in the estimated fair value of Conseco's actively managed fixed maturity securities.

Dividends declared on common stock for the six months ended June 30, 1996, were $.04 per share. On August 8, 1996, the Company's Board of Directors increased the quarterly cash dividend to be paid on October 1, 1996, to 6-1/4 cents per share, from the current rate of 2 cents per share.

The following table summarizes certain financial ratios as of and for the six months ended June 30, 1996, and the year ended December 31, 1995:

	June 30, 1996	December 31, 1995
Book value per common share:		
As reported	$17.68	$20.44
Excluding unrealized appreciation (depreciation) (a)	19.02	17.66
Pro forma (a), (b)	25.91	
Ratio of earnings to fixed charges:		
As reported	1.62X	1.57X
Excluding interest on annuities and financial products	4.31X	3.80X
Ratio of earnings to fixed charges and preferred dividends:		
As reported	1.47X	1.50X
Excluding interest on annuities and financial products	2.80X	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	.34X	.44X
Excluding unrealized appreciation (depreciation) (a)	.33X	.47X
Pro forma (a), (b)	.32X	
Ratio of debt for which Conseco is directly liable and debt of BLH to total capital of Conseco and BLH:		
As reported	.42X	.50X
Excluding unrealized appreciation (depreciation) (a)	.41X	.52X
Pro forma (a), (b)	.38X	
Ratio of total debt to total capital:		
As reported	.44X	.49X
Excluding unrealized appreciation (depreciation) (a)	.44X	.53X
Pro forma (a), (b)	.40X	

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

(b) Pro forma book value per share at June 30, 1996, gives effect to the following as if they had occurred on that date: (i) the completion of the LPG merger as described in the notes to the consolidated financial statements; and (ii) the conversion of both the Series D Convertible Preferred Stock and the PRIDES into Conseco common stock. Pro forma debt/capital ratios give effect to the LPG merger as if it had occurred on June 30, 1996.

(c) Statutory earnings represent gain from operations before interest (except interest on annuities and financial products) and income tax of Conseco's wholly owned life insurance companies and BLH's 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, its wholly owned subsidiaries and BLH that is required to be paid in cash.

INVESTMENTS

At June 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	$ 197.5	$ 5.4	$ 3.0	$ 199.9
Obligations of states and political subdivisions and foreign government obligations	134.9	7.0	4.0	137.9
Public utility securities	1,936.2	47.5	64.0	1,919.7
Other corporate securities	6,467.8	97.6	174.1	6,391.3
Mortgage-backed securities	3,887.9	55.4	91.3	3,852.0
Total fixed maturity securities	$12,624.3	$212.9	$336.4	$12,500.8

The following table sets forth the investment ratings of fixed maturity securities at June 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 $190.5 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	36%	32%
AA	10	9
A	23	20
BBB	26	23
Investment grade	95	84
BB	4	4
B and below	1	1
Below investment grade	5	5
Total fixed maturities	100%	89%

At June 30, 1996, our below investment grade fixed maturity securities had an amortized cost of $690.2 million and an estimated fair value of $667.6 million.

During the first six months of 1995, the Company recorded writedowns of fixed maturity securities of $4.1 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 June 30, 1996, fixed maturity securities in default as to the payment of principal or interest had an aggregate amortized cost of $3.1 million and a fair value of $3.0 million.

Sales of invested assets (primarily fixed maturity securities) during the first six months of 1996 generated proceeds of $3.0 billion, net realized gains of $10.2 million and net trading losses of $7.3 million. Sales of invested assets during the first six months of 1995 generated proceeds of $3.1 billion, net realized gains of $78.6 million and net trading income of $6.0 million.

At June 30, 1996, fixed maturity investments included $3.9 billion (or 31 percent of all fixed maturity securities) of mortgage-backed securities, of which $2.0 billion were collateralized mortgage obligations ("CMOs") and $1.9 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 June 30, 1996, summarized by interest rates on the underlying collateral:

	Par value	Amortized cost	Estimated fair value
	(Dollars in millions)		
Below 7 percent	$1,445.0	$1,379.5	$1,348.7
7 percent - 8 percent	1,929.5	1,853.3	1,842.4
8 percent - 9 percent	461.1	445.2	449.8
9 percent and above	213.0	209.9	211.1
Total mortgage-backed securities	$4,048.6	$3,887.9	$3,852.0

The amortized cost and estimated fair value of mortgage-backed securities including CMOs at June 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	$2,684.5	$2,647.6	21%
Support classes	173.9	185.3	2
Accrual (Z tranche) bonds	32.8	33.6	-
Planned amortization classes and accretion directed bonds	734.8	721.4	6
Subordinated classes	261.9	264.1	2
	$3,887.9	$3,852.0	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 June 30, 1996, the balance of mortgage loans was comprised of 97 percent commercial loans and 3 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 June 30, 1996. At June 30, 1996, our loan loss reserve was $4.3 million.

Investment borrowings averaged approximately $327.7 million during the first six months of 1996, compared to approximately $484.9 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 5.2 percent and 5.6 percent during the first six 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 June 30, 1996 (dollars in millions):

Statutory capital and surplus	$ 821.6
Asset valuation reserve ("AVR")	145.5
Interest maintenance reserve ("IMR")	248.6
Portion of surplus debenture carried as a liability	80.5
Total	$1,296.2

At June 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 10.1 percent, roughly the same as the ratio 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 $47.4 million and surplus debenture payments of $61.6 million) were largely offset by statutory earnings of such life insurance subsidiaries.

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 June 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 June 30, 1996, was $345.4 million. During the first six 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 six months of 1996, BLI paid extraordinary dividends of $10.0 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 June 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 $45.0 million during the first six months of 1996 and $14.6 million on July 22, 1996. During the remainder of 1996, BLC may pay additional dividends up to $26.4 million without regulatory approval.

During the first six 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.

The surplus of AGP'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 June 30, 1996. The payment of dividends and other distributions, including surplus note payments, by American Life and Casualty to AGP 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 $2.6 million had been distributed through June 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 June 30, 1996, American Life and Casualty had earned surplus of $115.6 million.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On May 28, 1996, the shareholders voted upon the election of David R. Decatur, M.D., Louis P. Ferrero and Donald F. Gongaware to serve three-year terms. The results of the voting were as follows (there were no broker non-votes):

	David R. Decatur, M.D.	Louis P. Ferrero	Donald F. Gongaware
For	36,939,244	36,915,107	36,967,548
Withheld	254,545	278,682	226,241

On June 27, 1996, the shareholders approved a proposal for the issuance of Conseco common stock pursuant to an Agreement and Plan of Merger, dated as of March 11, 1996, by and among Conseco, LPG Acquisition Company and Life Partners Group, Inc. Shareholders cast 32,209,091 votes for and 135,229 votes against the proposal. There were 368,238 abstentions and 7,542,353 broker non-votes.

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

a) Exhibits.

10.8.11 Director, Executive and Senior Officer Stock Purchase Plan.

10.8.12 Guaranty regarding Director, Executive and Senior Officer Stock Purchase Plan.

11.1 Computation of Earnings Per Share - Primary.

11.2 Computation of Earnings Per Share - Fully Diluted.

27.0 Financial Data Schedule.

99.1 Pro Forma Consolidated Financial Statements of Conseco, Inc. and Subsidiaries.

b) Reports on Form 8-K.

A report on Form 8-K dated April 10, 1996, was filed with the Commission to report under Item 5, the unaudited pro forma consolidated financial statements of Conseco giving pro forma effect to several transactions which occurred during 1995 and the first quarter of 1996.

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.

Dated: August 14, 1996

By: /s/ ROLLIN M. DICK

Rollin M. Dick,
Executive Vice President and
Chief Financial Officer
(authorized officer and principal
financial officer)

CONSECO, INC.
DIRECTOR, EXECUTIVE AND SENIOR OFFICER STOCK PURCHASE PLAN

1. PURPOSE. The Director, Executive and Senior Officer Stock Purchase Plan (the "Plan"), of Conseco, Inc. ("Conseco"), is adopted to facilitate the purchase, by the Directors, executives and senior managers of Conseco and its subsidiaries (collectively, the "Company"), of Conseco's common stock ("Common Stock") and Conseco's Preferred Redeemable Increased Dividend Equity Securities, 7% PRIDES, Convertible Preferred Stock ("PRIDES"). The purchases facilitated by the Plan are intended to achieve the following specific purposes:

a) more closely align key employees' financial rewards with the financial rewards realized by all other shareholders of the Company;

b) increase key employees' motivation to manage the Company as owners; and

c) increase the ownership of Common Stock and PRIDES among senior management of the Company.

2. ELIGIBILITY. To be eligible to participate in the Plan, the individual must be a non-employee Director of the Company, an executive officer of the Company or a senior officer of the Company selected by the Directors ("Eligible Participant").

3. PARTICIPATION. To become a Plan participant ("Participant"), an Eligible Participant must satisfy the following requirements:

a) submit a completed, signed and irrevocable election to purchase all or, in the case of Directors and Executive Officers, a portion of the Common Stock or PRIDES which the Eligible Participant is eligible to purchase under the Plan along with a power of attorney authorizing such purchases on the Participant's behalf;

b) complete and sign all necessary agreements and other documents relating to the loan described in Section 4 hereof including, but not limited to, personal financial statements, letters of instruction to brokers, transfer agents and banks as are necessary or appropriate under the loan described in Section 4 hereof, and a power of attorney authorizing borrowings under such loan; and

c) satisfy all other conditions of participation specified in the Plan.

The agreements and other documents specified in subsections 3 (a), (b) and (c) must be submitted at such times and to such Company offices as specified by the Company. No Eligible Participant is required to participate in the Plan.

Directors and executive officers may purchase up to 200,000 shares of Common Stock under the Plan. Senior officers electing to become Participants must purchase 10,000 shares of Common Stock. Up to 2,000,000 shares of Common Stock may be purchased by all Participants. Participants may elect that the number of shares of Common Stock they are eligible to purchase be reduced by up to 50% and that the same number of shares of PRIDES divided by two be purchased under the Plan. Directors and executive officers shall have the right to purchase shares not purchased by other Participants in such amount as is determined by the pro rata amount of their participation in the Plan compared to the participation of the other Participants electing to purchase additional shares. All such purchases may be made by the individual Participant or by a trust, corporation, partnership or limited liability company controlled by the Participant ("Participant Designee"; the term Participant shall include Participant Designee unless the context otherwise requires).

4. PURCHASE OF SHARES. Conseco, in its sole discretion subject to the terms and provisions of the Plan, will determine the timing, amount, price and mechanics of all of the purchases of shares of Common Stock and PRIDES (the "Purchased Shares") through open market and negotiated transactions. Purchases of Purchased Shares shall be effected through a broker in accordance with Rule 10b-18 under the Securities Exchange Act of 1934. The shares of Common Stock purchased pursuant to the Plan will be allocated proportionately among Participants at the end of each trading day based upon the percentage of all of the shares of Common Stock Participants have elected to purchase and the average price for all purchases of shares of Common Stock on that day. The shares of PRIDES Participants have elected to purchase will be allocated proportionately among Participants at the end of each trading day based upon the percentage of all of the shares of PRIDES Participants have elected to purchase and the average price for all purchases of shares of PRIDES on that day.

Conseco has arranged the opportunity for each Participant to obtain a loan through Bank of America National Trust and Savings Association ("Bank") to fund the purchase of the Purchased Shares (the "Loan"). Each Participant must sign a power of attorney authorizing loans under the Credit Agreement with the Bank and the purchase of the Purchased Shares. Each Participant is responsible for satisfying all of the lending requirements specified by the Bank to qualify for the Loan including all collateral requirements. Each Participant is fully obligated to repay to the Bank all principal, interest, and any prepayment fees on the Loan when due and payable.

In the event a Participant does not wish to obtain the Loan, the Participant shall provide sufficient funds to fund the purchase of the Purchased Shares. Such Participant must execute a power of attorney authorizing the purchase of the Purchased Shares. If the Participant fails to fund the purchase of the Purchased Shares, the Participant may no longer participate in the Plan, and all of the Purchased Shares not paid for will be allocated to the other Participants.

5. REGISTRATION OF SHARES. The Purchased Shares will be registered in the name of the Participant or his or her designee and certificated. Each certificate will bear a legend referring to the Plan. The certificates for the Purchased Shares of each Participant who participates in the Loan will be held by the Bank as collateral for the Loan. Each such Participant must deliver to the Bank a stock power endorsed in blank with respect to the Purchased Shares. A Participant may be able to obtain a release of the Purchased Shares from the Bank provided that other collateral of equal value is substituted as collateral for the Loan.

6. SHAREHOLDER RIGHTS. Each Participant will have all of the rights of a shareholder with respect to the Purchased Shares, including the right to vote the shares and the right to receive dividends. Any dividends in excess of required interest payments will be deposited to the Participant's account at the Bank.

7. SALE OF PURCHASED SHARES. Each Participant is permitted to sell all or any portion of the Purchased Shares; provided, that any such sale does not violate any provision of a Loan.

8. DEATH OR DISABILITY. Upon the death of a Participant, her or his estate may elect to cause Conseco to pay the estate an amount equal to the purchase price paid for the Purchased Shares purchased by the deceased Participant minus the value of such shares on the date of the Participant's death based upon the average of the high and low trading prices per share for the Purchased Shares as reported by the principal national stock exchange upon which such shares are traded. The estate of a deceased Participant must make such election, in writing, within 30 days of the date of the Participant's death. Upon the total and permanent disability of a Participant who is an employee of the Company, such disabled Participant may elect to cause Conseco to pay the Participant an amount equal to the purchase price paid for the Purchased Shares by the disabled Participant minus the value of such shares on the date of the determination of the Participant's total and permanent disability based upon the average of the high and low trading prices per share for the Purchased Shares as reported by the principal national stock market upon which such shares are

traded. The Participant must make such election, in writing, within 30 days of the date of the determination of the Participant's total and permanent disability. "Total and permanent disability" means the inability of a Participant to provide meaningful service for the Company due to a medically determinable physical or mental impairment. Such determination of total and permanent disability shall be made by the Company. Notwithstanding the above, if a Participant qualifies for Federal Social Security disability benefits or for payments under the Company's long-term disability income plan, based upon his physical or mental condition, he shall be deemed to suffer from a total and permanent disability hereunder. This Section 8 has no effect on a deceased or disabled Participant's sale of Purchased Shares before the Participant's death or disability. Payment by Conseco of amounts described in this Section 8 is conditioned on the payment in full of the Participant's Loan, if any, and the release of the Company's guarantee with respect thereto. This Section 8 will terminate January 1, 2002.

9. LOAN GUARANTEE. Conseco will guarantee repayment to the Bank of 100% of all principal, interest, prepayment fees and other obligations of each Participant under such Participant's Loan described in Section 4. The Conseco loan guaranty is a condition to the loan arrangement Conseco has made with the Bank. The terms and conditions of the guarantee are as agreed by Conseco and the Bank. If a Participant specifies a Participant Designee, the Participant shall enter into an indemnification agreement to indemnify Conseco for any losses under the guaranty of the Loan with respect to the Participant Designee. Each Participant is fully obligated to repay to the Bank all principal, interest, and other amounts on the Loan when due and payable. Conseco may take any action relating to the Participant and her or his assets, which the Board of Directors deems reasonable and necessary, to obtain full reimbursement for amounts Conseco pays to the Bank under its guaranty related to the Participant's or a Participant Designee's Loan ("Loan Default"). Notwithstanding the foregoing, Conseco will not be subrogated to any right of the Bank as a holder of a security interest in the Purchased Shares.

10. CHANGES OF CONTROL. A "Change of Control" of Conseco shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "1934 Act") as revised effective January 20, 1987, or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the 1934 Act which serve similar purposes; provided, that, without limitations, (x) such a change of control shall be deemed to have occurred if and when either (A) except as

provided in (y) below, any "person" (as such terms is used in Sections 13(d) and 14(d) of the 1934 Act) is or becomes a "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the 1934 Act), directly or indirectly, of securities of Conseco representing 25% or more of the combined voting power of Conseco's then outstanding securities entitled to vote with respect to the election of its Board of Directors or (B) as the result of a tender offer, merger, consolidation, sale of assets, or contest for election of directors, or any combination of the foregoing transactions or events, individuals who were members of the Board of Directors of Conseco immediately prior to any such transaction or event shall not constitute a majority of the Board of Directors following such transaction or event, and (y) no such change of control shall be deemed to have occurred if and when either (A) any such change is the result of a transaction which constitutes a "Rule 13e-3 transaction" as such term is defined in Rule 13e-3 promulgated under the 1934 Act or (B) any such person becomes, with the approval of the Board of Directors of Conseco, the beneficial owner of securities of Conseco representing 25% or more but less than 50% of the combined voting power of Conseco's then outstanding securities entitled to vote with respect to the election of its Board of Directors and in connection therewith represents, and at all times continues to represent, in a filing, as amended, with the Securities and Exchange Commission on Schedule 13D or Schedule 13G (or any successor Schedule thereto) that "such person has acquired such securities for investment and not with the purpose nor with the effect of changing or influencing the control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect" or words of comparable meaning and import. The designation by any such person, with the approval of the Board of Directors of Conseco, of a single individual to serve as a member of, or observer at meetings of, Conseco's Board of Directors, shall not be considered "changing or influencing the control of the Company" within the meaning of the immediately preceding clause (B), so long as such individual does not constitute at any time more than one-third of the total number of directors serving on such Board. In the event of a Change of Control, each Participant will receive in exchange for the Purchased Shares the higher of (i) the purchase price paid for all of each Participant's Purchased Shares, respectively, plus all interest paid by each respective Participant under the Loan or (ii) the amount of the consideration to be paid for the Purchased Shares in connection with the Change of Control. Such amount shall be paid to the Participants upon consummation of the event resulting in a Change of Control.

11. OTHER TERMINATION. If a Participant ceases to be a Director or officer of Conseco in circumstances other than as described in section 10, he or she may either (i) retire the Loan

immediately and release Conseco's guaranty or (ii) continue the Loan until its maturity date with Conseco's guaranty.

If the Participant desires Conseco's guaranty to continue, he or she agrees that, as compensation for continuing such guaranty beyond the termination of such Participant's employment or directorship, as the case may be, the former Participant shall pay to Conseco the following fees:

(a) A continuing guaranty fee on the outstanding note balance at each calendar quarter end to be paid at the rate of .5% each quarter.

(b) A settlement fee equal to half of the "Exit Profit". The Exit Profit shall be the excess, if any, of (i) the proceeds received from the sale of the Related Shares (as defined herein) or the market value of the Related Shares on the date the guaranty is released, whichever occurs first minus (ii) the sum of (x) the market value of the Related Shares at the Participant's termination date and (y) the interest accrued on the Loan since the termination date for the Related Shares. The "Related Shares" means the number of Purchased Shares acquired with the proceeds of the remaining principal amount of the loan at the date of termination of employment.

12. ADMINISTRATION. The Board of Directors of Conseco shall be charged with the administration and interpretation of the Plan but may delegate the ministerial duties hereunder to such persons as it determines. The Board of Directors of Conseco may adopt such rules as may be necessary or appropriate for the proper administration of the Plan. The decision of the Board of Directors of Conseco in all matters involving the interpretation and application of the Plan shall be final and shall be given the maximum possible deference allowed by law.

13. PAYMENT OF EXPENSES. The expenses of administering the Plan shall be paid by the Company except those expenses which are expenses of the Participants.

14. EMPLOYER-EMPLOYEE RELATIONSHIP. The establishment of this Plan shall not be construed as conferring any legal or other rights upon any employee or any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any employee or otherwise act with relation to the employee. The Company may take any action (including discharge) with respect to any employee or other person and may treat such person without regard to the effect which such action or treatment might have upon such person as a Participant of this Plan.

15. AMENDMENT AND TERMINATION. The Company reserves the right to change or discontinue this Plan by action of the Board of Directors in its discretion; provided, however, that in the case of any person to whom benefits under this Plan had accrued upon termination of employment prior to such Board of Directors action, or in the case of any Participant who would have been entitled to benefits under this Plan had the Participant's employment ceased prior to such change or discontinuance, the benefits such person had accrued under this Plan prior to such change or discontinuance shall not be adversely affected thereby.

Notwithstanding anything herein to the contrary, nothing contained herein shall restrict the Company's right to terminate the Plan.

16. WITHHOLDING. The Company shall have the right to deduct in cash (whether under this Plan or otherwise) in connection with all payments by the Company to a Participant under this Plan any taxes required by law to be withheld and to require any payments required to enable it to satisfy its withholding obligations.

17. GOVERNING LAW. This Plan shall be construed in accordance with the laws of the State of Indiana.

Effective Date: April 4, 1996

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GUARANTY

Dated as of May 13, 1996,

among

CONSECO, INC.,
as Guarantor,

and

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent

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EXHIBITS

EXHIBIT A	Form of Addendum and Affirmation Agreement
EXHIBIT B-1	Form of Opinion of Lawrence W. Inlow, general counsel to the Guarantor and its Subsidiaries (including BLHC)
EXHIBIT B-2	Form of Opinion of Baker & Daniels, outside counsel to the Guarantor and its Subsidiaries (including BLHC)
EXHIBIT C-1	Form of Officer's Certificate (Guarantor)
EXHIBIT C-2	Form of Officer's Certificate (New CIHC)
EXHIBIT C-3	Form of Officer's Certificate (MDSCG)
EXHIBIT C-4	Form of Officer's Certificate (BNL)
EXHIBIT C-5	Form of Officer's Certificate (CCM)
EXHIBIT C-6	From of Officer's Certificate (CMCI)

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GUARANTY

THIS GUARANTY (this "Guaranty") is entered into as of May 13, 1996 between CONSECO, INC., an Indiana corporation ("Guarantor"), in favor of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as administrative agent (the "Administrative Agent") for the financial institutions (the "Banks" and together with Administrative Agent, the "Guarantied Parties") who are or from time to time may become party to the Credit Agreement (as hereinafter defined). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to such terms pursuant to Article I.

W I T N E S S E T H:

WHEREAS, pursuant to a Credit Agreement, dated as of May 13, 1996 (as from time to time, in whole or in part, the same may be amended, modified, supplemented, restated, refinanced, refunded or renewed, the "Credit Agreement"), among the individuals listed as borrowers on the signature pages thereto (herein, collectively called, the "Borrowers" and each individually, a "Borrower"), the Banks and the Administrative Agent, the Banks have extended Commitments to make Loans to each of the Borrowers on the terms and subject to the conditions contained in the Credit Agreement;

WHEREAS, the Guarantor has established a stock purchase program for certain of its officers and directors to increase the Guarantor's ability to attract and retain able officers and directors and, accordingly, promote the interest of the Guarantor and its stockholders, while at the same time providing these individuals with additional incentive to work toward the Guarantor's future success;

WHEREAS, as a condition precedent to the making of the initial Loans and any subsequent Loans under the Credit Agreement, Guarantor is required to execute and deliver this Guaranty;

WHEREAS, Guarantor has been duly authorized to execute, deliver and perform this Guaranty; and

WHEREAS, it is in the best interest of Guarantor to execute this Guaranty inasmuch as Guarantor will derive substantial direct and indirect benefits from the Loans made from time to time to the Borrowers by the Banks pursuant to the Credit Agreement;

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Banks to make Loans (including the initial Loans) to the Borrowers pursuant to the Credit Agreement, Guarantor agrees, for the benefit of each Guarantied Party, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Certain Terms. Capitalized terms used herein, unless otherwise defined herein, shall have the meanings assigned thereto in the Credit Agreement; provided that such definitions shall survive any termination of the Credit Agreement. In addition, when used herein the following terms shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Addendum and Affirmation Agreement" - see Section 4.1(a).

"Administrative Agent" - see Preamble.

"Guaranty" shall mean this Guaranty, as amended or modified.

"Banks" or "Bank" - see Preamble.

"Borrowers" or "Borrower" - see first recital.

"Cash Collateral Account" shall mean the custody account, account number 72-80556, maintained in the name of, and subject to the sole dominion and control of, the Administrative Agent for the sole benefit of the Banks, for the purpose of holding prepayments of the Obligations of the Borrowers by the Guarantor pursuant to Section 7.1.

"Collateral" shall mean all of the collateral security described or provided for in Article IV of this Guaranty together with all property and/or rights on or in which a Lien is now or hereafter granted by any Person to the Administrative Agent (or to any agent, trustee or other party acting on behalf of the Administrative Agent) for the benefit of the Banks pursuant to this Guaranty, the Pledge Agreement, the Addendum and Affirmation Agreement and any other instruments or documents provided for herein or therein or delivered hereunder or thereunder or in connection herewith or therewith.

"Credit Agreement" - see first recital.

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"Guarantied Party" - see Preamble

"Guaranty" - see Preamble.

"Indemnified Parties" - see Section 8.2.

"Obligations" - see Section 2.1.

"Subrogation Rights" - see Section 2.6.

"UCC" shall mean the Uniform Commercial Code or comparable statute or any successor statutes thereto, as in effect from time to time in the relevant jurisdiction.

ARTICLE II

GUARANTY PROVISIONS

SECTION 2.1. Guaranty. Guarantor hereby absolutely, unconditionally and irrevocably:

(a) guaranties to the Guarantied Parties the full and punctual payment when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, and at all times thereafter, of all obligations of each Borrower to the Guarantied Parties, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due under the Credit Agreement whether for principal, interest, fees, expenses or otherwise (including all such amounts which would become due but for the operation of the automatic stay provisions under Section 362(a) of the United States Bankruptcy Code, 11 U.S.C. ss.362(a), and the operation of Sections 502(b) and 506(b) of the United States Bankruptcy Code, 11 U.S.C. ss.502(b) and ss.506(b)) (all such obligations hereinafter collectively called the "Obligations"); and

(b) indemnifies and holds harmless each Guarantied Party or any holder of any Loan for any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by such Guarantied Party or such holder, as the case may be, in enforcing any rights under this Guaranty;

This Guaranty constitutes a guaranty of payment when due and not of collection, and Guarantor specifically agrees that it shall not be necessary or required that any Guarantied Party or any holder of any Loan exercise any right, assert any claim or demand

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or enforce any remedy whatsoever against any Borrower or any other obligor (or any other Person) before the performance of, or as a condition to, the obligations of Guarantor hereunder.

SECTION 2.2. Acceleration of Guaranty. Guarantor agrees that, in the event of the insolvency of any Borrower, any other obligor with respect to the Obligations of such Borrower, or Guarantor, as the case may be, or the inability or failure of such Borrower, such other obligor or Guarantor to pay debts as they become due, or an assignment by such Borrower, such other obligor or Guarantor for the benefit of creditors, or the commencement of any case or proceeding in respect of such Borrower, such other obligor or Guarantor under any bankruptcy, insolvency or similar federal or state laws, and if such event shall occur at a time when any of the Obligations of such Borrower or such other obligor may not then be due and payable, Guarantor will pay to the Banks forthwith (a) if such event relates to such Borrower or any other obligor with respect to the Obligations of such Borrower, the full amount which would be payable hereunder by Guarantor if all Obligations of such Borrower were then due and payable and (b) if such event relates to Guarantor or any other obligor with respect to the obligations of Guarantor, the full amount which would be payable hereunder by Guarantor if all the Obligations of all Borrowers were then due and payable.

SECTION 2.3. Guaranty Absolute, etc. This Guaranty shall in all respects be a continuing, absolute, unconditional and irrevocable guaranty of payment, and shall remain in full force and effect until all Obligations of the Borrowers and each other obligor have been paid in full, all obligations of Guarantor hereunder shall have been paid in full and all Commitments shall have terminated. Guarantor guarantees that the Obligations of the Borrowers and each other obligor and their respective Subsidiaries, if any, will be paid strictly in accordance with the terms of the Credit Agreement and each other Loan Document under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guarantied Party or any holder of the Note of any Borrower with respect thereto. The liability of Guarantor under this Guaranty shall be absolute, unconditional and irrevocable irrespective of:

(a) any lack of validity, legality or enforceability of the Credit Agreement, any Note or any other Loan Document;

(b) the failure of any Guarantied Party or any holder of any Note:

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(i) to assert any claim or demand or to enforce any right or remedy against any Borrower, any other obligor or any other Person under the provisions of the Credit Agreement, any Note, any other Loan Document or otherwise; or

(ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Obligations of any Borrower or any other obligor;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of any Borrower or any other obligor, or any other extension, compromise or renewal of any Obligations of any Borrower or any other obligor;

(d) any reduction, limitation, impairment or termination of the Obligations of any Borrower or any other obligor for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and Guarantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Obligations of any Borrower, any other obligor or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to any departure from, any of the terms of the Credit Agreement, any Note or any other Loan Document;

(f) any addition, exchange, release, surrender or non- perfection of any collateral, or any amendment to or waiver or release or addition of, or consent to any departure from, any other guaranty, held by any Guarantied Party or any holder of any Note securing any of the Obligations of any Borrower or any other obligor; or

(g) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Borrower, any other obligor, any surety or any guarantor.

SECTION 2.4. Reinstatement, etc. Guarantor agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be restored by any Guarantied Party or any holder of any Note, upon

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the insolvency, bankruptcy or reorganization of any Borrower, any other obligor or otherwise, all as though such payment had not been made.

SECTION 2.5. Waiver, etc. Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations of the Borrower or any other obligor, and this Guaranty and any requirement that the Administrative Agent, any other Guarantied Party or any holder of any Note protect, secure, perfect or insure any security interest or Lien, or any property subject thereto, or exhaust any right or take any action against any Borrower, any other obligor or any other Person (including any other guarantor) or entity or any collateral securing the Obligations of any Borrower or any other obligor, as the case may be.

SECTION 2.6. Waiver of Subrogation; Subordination. Guarantor hereby irrevocably waives with respect to any Borrower, until termination of the Commitments of the Banks with respect to such Borrower and thereafter until the prior indefeasible payment in full in cash of all Obligations of such Borrower under the Loan Documents, any claim or other rights which it may now or hereafter acquire against such Borrower or any other obligor that arises from the existence, payment, performance or enforcement of Guarantor's obligations under this Guaranty or any other Loan Document or otherwise, including any right of subrogation, reimbursement, exoneration, or indemnification, any right to participate in any claim or remedy of the Guarantied Parties against such Borrower or any other obligor or any collateral which the Administrative Agent now has or hereafter acquires, whether or not such claim, remedy or right (all such claims, remedies and rights being collectively called "Subrogation Rights") arises in equity, or under contract, statute or common law, including the right to take or receive from such Borrower or any other obligor, directly or indirectly, in cash or other property or by set-off or in any manner, payment or security on account of such claim or other rights. If any amount shall be paid to Guarantor in violation of the preceding sentence and the Obligations shall not have been paid in cash, in full, and the Commitments of the Banks with respect to such Borrower have not been terminated, such amount shall be deemed to have been paid to Guarantor for the benefit of, and held in trust for, the Guarantied Parties, and shall forthwith be paid to the Guarantied Parties to be credited and applied upon the Obligations of such Borrower, whether matured or unmatured. Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waiver set forth in this Section is knowingly made in contemplation of such benefits. Notwithstanding the foregoing, the Subrogation Rights of Guarantor shall not include (and the

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Guarantor acknowledges that it has no interest in) any of the collateral pledged by any of the Borrowers under the Pledge Agreement.

SECTION 2.7. Successors, Transferees and Assigns; Transfers of Notes, etc. This Guaranty shall:

(a) be binding upon Guarantor, and its successors, transferees and assigns; and

(b) inure to the benefit of and be enforceable by the Administrative Agent and each other Guarantied Party.

Without limiting the generality of clause (b), any Bank may assign or otherwise transfer (in whole or in part) any Note or Loan held by it to any other Person, and such other Person shall thereupon become vested with all rights and benefits in respect thereof granted to such Bank under any Loan Document (including this Guaranty) or otherwise. Notwithstanding anything contained in this Section 2.7 to the contrary, this Section 2.7 shall not be deemed to enlarge or create additional rights with respect to any Bank's ability to assign any portion of its Loans or rights under any Note or any other Loan Document pursuant to Section 12 of the Credit Agreement, and this Section 2.7 is expressly made subject thereto.

SECTION 2.8. Payments Free and Clear of Taxes, etc. Guarantor hereby agrees that:

(a) any and all payments made by such Guarantor hereunder shall be made in accordance with Section 4.7 of the Credit Agreement free and clear of, and without deduction for, any and all Charges, to the same extent as if Guarantor were a Borrower.

(b) Guarantor hereby indemnifies and holds harmless each Guarantied Party and each holder of a Loan for the full amount of any Charges paid by such Guarantied Party or such holder, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Charges were correctly or legally asserted.

(c) Without prejudice to the survival of any other agreement of Guarantor hereunder, the agreements and obligations of Guarantor contained in this Section 2.8 shall survive the payment in full of the principal of and interest on the Loans.

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SECTION 2.9. Right of Offset. In addition to and not in limitation of all rights of offset that any Guarantied Party or other holder of a Note may have under applicable law or any other Loan Document, subject to the terms of the Credit Agreement, each Guarantied Party or other holder of a Note shall upon the occurrence of any Event of Default and whether or not such Guarantied Party or such holder has made any demand or Guarantor's obligations are matured, have the right to appropriate and apply to the payment of Guarantor's obligations hereunder all deposits (general or special, time or demand, provisional or final) then or thereafter held by, and other indebtedness or property then or thereafter owing to, such Guarantied Party or other holder, whether or not related to this Guaranty or any transaction hereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES; INCORPORATION BY REFERENCE

To induce the Guarantied Parties to enter into the Credit Agreement and to make the Loans thereunder, Guarantor represents and warrants to each Guarantied Party that:

SECTION 3.1. Organization, etc. Guarantor and each of its Subsidiaries is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of the state of its incorporation or formation and each of Guarantor and its Subsidiaries is duly qualified to transact business and in good standing as a foreign corporation, partnership or limited liability company authorized to do business in each jurisdiction where the nature of its business makes such qualification necessary and failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 3.2. Authorization. Each of Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI (a) has (or, at the time of execution and delivery thereof, had) the power to execute, deliver and perform this Guaranty and the other Loan Documents to which it is a party, and (b) has (or, at the time of execution and delivery thereof, had) taken all necessary action to authorize the execution, delivery and performance by it of this Guaranty and the other Loan Documents to which it is a party.

SECTION 3.3. No Conflict. The execution, delivery and performance by each of Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI of this Guaranty and the other Loan Documents to which it is a party did not, does not and will not (a) contravene or conflict with any provision of any law, statute, rule or regulation, (b) contravene or conflict with, result in any breach of, or

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constitute a default under, any material agreement or instrument binding on Guarantor or any of its Subsidiaries (including, without limitation, any writ, judgment, injunction or other similar court order), (c) result in the creation or imposition of or the obligation to create or impose any Lien (except for Permitted Liens) upon any of the property or assets of the Borrower or any of its Subsidiaries or (d) contravene or conflict with any provision of the articles of incorporation or by-laws of Guarantor, New CIHC, MDSCG, BNL, CCM or CMCI.

SECTION 3.4. Margin Regulations.

(a) None of the transactions contemplated hereunder or in connection herewith will in any way contravene or conflict with any of the provisions of Regulation G or Regulation U;

(b) None of the obligations of any Borrower to the Guarantor is or will be directly or indirectly secured by "margin stock" (as defined in Regulation G and Regulation U);

(c) Neither the Guarantor nor any third party acting on behalf of the Guarantor has taken or will take possession of any Borrower's "margin stock" (as defined in Regulation G and Regulation U) to secure, directly or indirectly, any of the obligations or the Borrowers or the Guarantor under any of the Loan Documents;

(d) The Guarantor does not and will not have any right to prohibit any Borrower from selling, pledging, encumbering or otherwise disposing of any margin stock owned by such Borrower so long as this Guaranty is in effect or any of the Obligations of the Borrowers or the obligations of the Guarantor under the Loan Documents remain outstanding;

(e) None of the Borrowers have granted or will grant the Guarantor or any third party acting on behalf of the Guarantor the right to accelerate repayment of any of the Obligations of such Borrower if any of the margin stock owned by such Borrower is sold by such Borrower or otherwise; and

(f) There is no agreement or other arrangement between any Borrower and the Guarantor or any third party acting on behalf of the Guarantor (and no such agreement or arrangement shall be entered into so long as this Guaranty is in effect or any of the Obligations of the Borrowers or the obligations of the Guarantor under the Loan Documents remain outstanding) under which the margin stock of such Borrower would be made more readily available as security to the Guarantor than to other creditors of such Borrower.

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SECTION 3.5. Incorporation by Reference. Guarantor agrees that the representations and warranties of Guarantor set forth in Section 7 of the Revolving Credit Agreement (other than Sections 7.1, 7.2 and 7.3) shall be incorporated by reference in this Guaranty in their entirety as if fully set forth herein with the same effect as if applied to this Guaranty. All capitalized terms set forth in such Sections shall have the meanings provided in the Revolving Credit Agreement; provided that for purposes of this Guaranty, to the extent set forth in the Revolving Credit Agreement (a) the term "Borrower" shall be deemed to refer to Guarantor and (b) the terms "Administrative Agent", "Agreement", "Banks", "Liabilities", "Required Banks", "Loan Documents", "Collateral", "Material Adverse Effect", and "Material Adverse Change" shall have the respective meanings provided in the Credit Agreement. Such representations and warranties shall not be affected in any manner by the termination of the Revolving Credit Agreement.

ARTICLE IV

COLLATERAL AND OTHER SECURITY

SECTION 4.1. Collateral Documents. Concurrently with or prior to the Closing Date, the Guarantor shall execute and deliver, and cause each of New CIHC, MDSCG, BNL, CCM and CMCI to execute and deliver, to the Administrative Agent, for the benefit of the Banks, an Addendum and Affirmation to Loan Documents, substantially in the form of Exhibit A (herein, as the same may be amended or modified, called the "Addendum and Affirmation Agreement"), whereby each of Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI will amend the Pledge Agreements and the Service Assignment (each as defined in the Revolving Credit Agreement) to the extent a party thereto in order to grant a security interest in the Collateral (as defined in the respective Pledge Agreements and the Service Assignment) pledged pursuant to the Pledge Agreements and the Service Assignment, respectively, to secure the obligations of the Guarantor under this Guaranty (such obligations herein, as more fully set forth in Section 7.14, sometimes called the Additional Secured Borrower Obligations or Additional Secured Borrower Indebtedness.

SECTION 4.2. Application of Proceeds from Collateral. All proceeds from the sale or disposition of any of the Collateral set forth in Section 4.1 shall be applied to the Additional Secured Borrower Obligations in accordance with
Section 6.2 of the Credit Agreement.

SECTION 4.3. Further Assurances. Guarantor agrees that upon request of the Administrative Agent (a) it shall promptly

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deliver or cause to be delivered to the Administrative Agent, in due form for transfer, all chattel paper, instruments, securities and documents of title, if any, at any time representing all or any of the Collateral, and (b) it shall forthwith execute and deliver or cause to be executed and delivered to the Administrative Agent, in due form for filing or recording (and pay the cost of filing or recording the same in all public offices deemed necessary by the Administrative Agent), such further assignment agreements, security agreements, pledge agreements, instruments, consents, waivers, financing statements, stock or bond powers, searches, releases, and other documents, and do such other acts and things, all as the Administrative Agent may from time to time reasonably request to establish and maintain to the satisfaction of the Administrative Agent a valid perfected Lien on all Collateral to secure payment of the Additional Secured Borrower Obligations.

ARTICLE V

COVENANTS

SECTION 5.1. Guarantor agrees that, on and after the Effective Date until the termination or expiration of the Commitments and for so long thereafter as any of the Obligations or the obligations of Guarantor hereunder remain unpaid or outstanding (except Obligations which by the terms hereof survive the payment in full of the Loans and termination of this Guaranty), the Guarantor will comply with the covenants set forth Sections 8, 9 and 10 of the Revolving Credit Agreement and the terms and provisions set forth therein shall be incorporated by reference in this Guaranty in their entirety as if fully set forth herein with the same effect as if applied to this Guaranty. All capitalized terms set forth in Sections 8, 9 and 10 of the Revolving Credit Agreement shall have the meanings provided in the Revolving Credit Agreement; provided that for purposes of this Guaranty, to the extent set forth in the Revolving Credit Agreement (a) the term "Borrower" shall be deemed to refer to Guarantor and (b) the terms "Administrative Agent", "Agreement", "Banks", "Liabilities", "Required Banks", "Loan Documents", "Collateral", "Material Adverse Effect", and "Material Adverse Change" shall have the respective meanings provided in the Credit Agreement. Such covenants shall not be affected in any manner by the termination of the Revolving Credit Agreement.

SECTION 5.2. Certain Indebtedness. Guarantor shall not, and shall not permit any of its Subsidiaries to amend or modify any provision of the Revolving Credit Agreement, the Addendum and Affirmation Agreement or the other Revolving Credit Loan Documents if such amendment or modification could have an adverse effect on the Banks or any material provision of the Loan Documents.

SECTION 5.3. Margin Regulations. Guarantor shall take such actions from time to time as the Administrative Agent shall reasonably request to maintain continuous compliance with Regulation G and U.

ARTICLE VI

CONDITIONS AND EFFECTIVENESS OF THIS AGREEMENT

The obligation of the Banks to make the Loans is (in addition to the conditions precedent set forth in Section 9 of the Credit Agreement) subject to the performance by the Guarantor of all of the obligations under this Agreement and to the satisfaction of the following conditions precedent:

SECTION 6.1. Initial Loans. Prior to or concurrent with the making of the initial Loans, the Administrative Agent shall have received all of the following, each, except to the extent otherwise specified below, duly executed by a Responsible Officer of Guarantor, dated the date of the initial Loans (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent, each in sufficient number of signed counterparts or copies to provide one for each Bank and the Administrative Agent:

6.1.1. The Addendum and Affirmation Agreement;

6.1.2. A favorable opinion of Lawrence W. Inlow, general counsel of the Guarantor and its Subsidiaries (including BLHC), substantially in the form of Exhibit B-1, and addressing such other legal matters as the Administrative Agent may require;

6.1.3. A favorable opinion of Baker & Daniels, outside counsel to the Guarantor and its Subsidiaries (including BLHC), substantially in the form of Exhibit B-2, and addressing such other legal matters as the Administrative Agent may require;

6.1.4. An officer's certificate of the Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI, substantially in the form of Exhibits C-1 through C-6, respectively, and dated as of the Closing Date, signed by a Responsible Officer of the Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI, as the case may be, and attested to by the

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secretary thereof, together with certified copies of the Guarantor's, New CIHC's, MDSCG's, BNL's, CCM's and CMCI's articles of incorporation, by-laws and directors resolutions;

6.1.5. Evidence of the good standing or certificates of compliance of the Guarantor, New CIHC, MDSCG, BNL, CCM and CMCI in the jurisdiction in which such entity was incorporated as of the Closing Date;

6.1.6. Evidence that the Guarantor paid to the Administrative Agent the fees and expenses provided for herein;

6.1.7. Evidence satisfactory to the Administrative Agent of compliance by the Guarantor with Regulation G; and

6.1.8. Such other information and documents as may reasonably be required by the Administrative Agent and the Administrative Agent's counsel.

ARTICLE VII

SALE AND RELEASE OF PLEDGED SHARES; CASH COLLATERAL

SECTION 7.1. Sale of Pledged Shares. Notwithstanding any provision set forth in any of the Loan Documents to the contrary, the Administrative Agent agrees that after the occurrence and during the continuance of a Default under Section 10.1.2 of the Credit Agreement or any Event of Default with respect to any Borrower the effect of which is to cause the Obligations of such Borrower to be due and payable under the Credit Agreement (a "Borrower Default"), subject to the provisions of Section 7.2 and 7.4 below, it will not demand that the Guarantor pay the Obligations of such Borrower (constituting outstanding principal and interest of such Borrower), until after the Administrative Agent has uses its reasonable best efforts, in good faith, to sell the Pledged Shares of such Borrower, such sale to be consummated in one or a series of open market transactions through one or more reputable broker-dealers at the then fair market value of such Pledged Shares.

SECTION 7.2. Conditions. The obligation of the Administrative Agent not to demand payment hereunder pursuant to Section 7.1 is subject to the following conditions:

(a) the Guarantor, within three (3) Business Days after receipt of written notice of a Borrower Default from the Administrative Agent, shall deposit with the Administrative Agent

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in the Cash Collateral Account an amount equal to the then outstanding Obligations of the Borrower related to such Borrower Default and, thereafter, upon written notice from the Administrative Agent, the Guarantor continues to deposit funds in the Cash Collateral Account in sufficient amounts to pay in full any additional interest accrued on the Loans of such Borrower after the date of the initial deposit to the Cash Collateral Account; and

(b) none of the following has occurred at the time of such Borrower Default or shall occur thereafter:

(i) a suspension or material limitation in trading in securities generally or trading in the common stock and/or PRIDES of the Guarantor on the New York Stock Exchange;

(ii) a general moratorium on commercial banking activities in New York is declared by any Federal or New York State authorities;

(iii) the Administrative Agent is prohibited or materially limited from selling the Pledged Shares as a result of any federal or state securities laws (including, without limitation, the rules promulgated thereunder relating to the disclosure of material information); or

(iv) any other event (including, without limitation, commencement of any suit, action or litigation, filing of any claim or any other similar proceeding or any change in any applicable law) has occurred which, in the reasonable opinion of the Administrative Agent, would prohibit, have a material adverse effect on, or materially limit the Administrative Agent's ability to sell the Pledged Shares as contemplated by the terms of this Section 7.1.

The Guarantor agrees that in any sale of any of the Pledged Shares, the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Administrative Agent is necessary, in the reasonable opinion of such counsel, in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own

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account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official, and the Guarantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Administrative Agent be liable or accountable to the Guarantor for any discount allowed by reason of the fact that such Pledged Shares is sold in compliance with any such limitation or restriction.

The Guarantor further agrees to indemnify and hold harmless the Administrative Agent and the Banks and each of their respective officers, directors, employees, agents, successors and assigns, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, reasonable attorneys' fees actually incurred (in this paragraph collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise resulting from the action or failure to act by the Guarantor or any Borrower.

Section 7.3. Release of Pledged Shares. The Administrative Agent agrees that, so long as the Guarantor is in compliance with Section 7.2(a) and none of the events set forth in Section 7.2(b) has occurred, it shall not release any of the Pledged Shares of any Borrower from the Lien granted under the Pledge Agreement until after the termination of this Guaranty and the obligations of the Guarantor hereunder with respect to such Borrower. Notwithstanding the foregoing, the Administrative Agent shall be entitled to release the Pledged Shares of such Borrower if such Pledged Shares are replaced by additional common stock of the Guarantor and/or PRIDES.

SECTION 7.4. Borrower Event of Default. The Guarantor hereby acknowledges and agrees that Sections 7.1 and 7.3 shall not apply to any Default or Event of Default relating to the Guarantor or any of its Subsidiaries and, upon the occurrence of an Event of Default relating to the Guarantor or any of its Subsidiaries the Administrative Agent expressly reserves its rights and remedies under this Guaranty to demand payment hereunder to satisfy the Obligations of all Borrowers and the obligations of Guarantor hereunder whether or not the Administrative Agent has sold or attempted to sell the Pledged Shares of any Borrower or otherwise exercised its rights and remedies under the Pledge Agreement. Furthermore nothing contained herein shall be deemed to prohibit or limit in any way whatsoever the Administrative Agent's or any Bank's right to receive any portion of the Collateral (as defined under the Revolving Credit Agreement) upon the exercise by the Revolving

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Credit Agent or the Revolving Credit Banks of their rights and remedies under the Revolving Credit Loan Documents.

SECTION 7.5. Application of Cash Collateral. If after compliance by the Administrative Agent with the provisions set forth in Section 7.1 any Obligations remain unpaid with respect to any applicable Borrower, any funds held in the Cash Collateral Account may be applied by the Administrative Agent against the payment of the Obligations of such Borrower. The Administrative Agent, prior to applying such funds against the Obligations of such Borrower, will certify to the Guarantor (a) if the Pledged Shares of such Borrower are sold pursuant to Section 7.1, the net proceeds (including a calculation thereof in reasonable detail) received by the Administrative Agent from the sale of such Pledged Shares and (b) if the Pledged Shares of such Borrower are not sold pursuant to Section 7.1, the reason or reasons why such sale could not be accomplished. Any funds remaining in the Cash Collateral Account after application thereof to the Obligations as set forth above shall be returned to the Guarantor. The Administrative Agent agrees that it shall deliver to the Guarantor, after the application of such funds to the Obligations of such Borrower, a calculation in reasonable detail of the Obligations of such Borrower (including principal and interest of the Loans of such Borrower) and the application of such funds thereto.

ARTICLE VIII

MISCELLANEOUS

8.1. The Guarantor agrees to pay on demand all reasonable expenses of the Administrative Agent (including the non-duplicative fees and reasonable expenses of counsel (including expenses of in-house counsel) and of local counsel, if any, who may be retained by such counsel) in connection with:

(a) the negotiation, preparation, execution, syndication and delivery of the Credit Agreement, this Guaranty and the other Loan Documents, including schedules and exhibits, and any amendments, waivers, consents, supplements or other modifications to the Credit Agreement, this Guaranty or the other Loan Documents as may from time to time hereafter be required, whether or not the transactions contemplated hereby or thereby are consummated; and

(b) the preparation and/or review of the form of any document or instrument relevant to the Credit Agreement, this Guaranty or any other Loan Document.

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The Guarantor further agrees to pay, and to save the Administrative Agent and the Banks harmless from all liability for, any stamp or other Taxes (other than income taxes of the Administrative Agent or the Banks) which may be payable in connection with the execution or delivery of the Credit Agreement, any Borrowing thereunder, the issuance of the Notes, this Guaranty or any other Loan Document. The Guarantor also agrees to reimburse the Administrative Agent and each Bank upon demand for all reasonable expenses (including attorneys' fees and legal expenses) incurred by the Administrative Agent or such Bank in connection with the enforcement of any Obligations or obligations hereunder and the consideration of legal issues relevant hereto and thereto whether or not such expenses are incurred by the Administrative Agent on its own behalf or on behalf of the Banks. All obligations of the Guarantor provided for in this Section 8.1 shall survive termination of this Agreement. Notwithstanding the foregoing, the Administrative Agent or a Bank shall not have the right to reimbursement under this Section 8.1 for amounts determined by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of the Administrative Agent or a Bank.

8.2. The Guarantor agrees to indemnify each Bank and each Bank's respective directors, officers, employees, persons controlling or controlled by any of them or their respective agents, consultants, attorneys and advisors (the "Indemnified Parties") and hold each Indemnified Party harmless from and against any and all liabilities, losses, claims, damages, costs and expenses of any kind to which any of the Indemnified Parties may become subject, whether directly or indirectly (including, without limitation, the reasonable fees and disbursements of counsel for any Indemnified Party), relating to or arising out of the Credit Agreement, this Guaranty, the other Loan Documents, or any actual or proposed use of the proceeds of the Loans hereunder; provided, that no Indemnified Party shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. All obligations of the Borrowers and the Guarantor provided for in this Section 8.2 shall survive termination of the Credit Agreement and this Guaranty.

8.3. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile or similar writing) and shall be given to such party at its address, facsimile or telex number set forth on the signature or acknowledgement pages hereof or such other address, facsimile or telex number as such party may hereafter specify for the purpose by written notice to the Administrative Agent and the Guarantor. Each such notice, request or other communication shall be effective (a) if given by facsimile or telex, when such

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facsimile or telex is transmitted to the facsimile or telex number specified in this Section and, in the case of telex, the appropriate answerback is received,
(b) if given by mail, seventy-two (72) hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when delivered at the address specified in this Section.

8.4. This Guaranty, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, except Guarantor shall not be permitted to assign this Guaranty nor any interest herein nor in the Collateral, nor any part thereof, nor otherwise pledge, encumber or grant any option with respect to the Collateral, nor any part thereof, except in accordance with the terms of the Credit Agreement.

8.5. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT (I) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY ILLINOIS STATE OR FEDERAL COURT SITTING IN THE NORTHERN DISTRICT OF ILLINOIS OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE OTHER LOAN DOCUMENTS, AND EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ILLINOIS STATE OR FEDERAL COURT, AND (II) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST THE OTHER PARTY HERETO OR THE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY OF ANY THEREOF, ARISING OUT OF OR RELATING TO THIS GUARANTY, IN ANY COURT OTHER THAN AS HEREINABOVE SPECIFIED IN THIS SECTION 8.5. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY ACTION OR PROCEEDING (WHETHER BROUGHT BY GUARANTOR, ANY OF ITS SUBSIDIARIES, THE ADMINISTRATIVE AGENT, ANY BANK OR OTHERWISE) IN ANY COURT HEREINABOVE SPECIFIED IN THIS SECTION
8.5 AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. EACH OF THE GUARANTOR AND THE ADMINISTRATIVE AGENT AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

8.6. Subject to Section 13.1 of the Credit Agreement, the provisions of this Guaranty may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by Guarantor and by the Administrative Agent (at the request of the Required Banks), and then any such amendment, modification, waiver or consent shall be

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effective only in the specific instance and for the specific purpose for which given.

8.7. The section headings in this Guaranty are inserted for convenience of reference and shall not be considered a part of this Guaranty or used in its interpretation.

8.8. No action of the Administrative Agent permitted hereunder shall in any way affect or impair the rights of the Administrative Agent and the obligations of Guarantor under this Guaranty. Guarantor hereby acknowledges that there are no conditions to the effectiveness of this Guaranty.

8.9. All obligations of Guarantor and rights of the Administrative Agent or obligation expressed in this Guaranty shall be in addition to and not in limitation of those provided in applicable law or in any other written instrument or agreement relating to any of the Obligations.

8.10. GOVERNING LAW. THIS GUARANTY SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. ALL OBLIGATIONS OF THE BORROWERS AND THE GUARANTOR AND RIGHTS OF THE ADMINISTRATIVE AGENT AND THE BANKS IN RESPECT OF THE OBLIGATIONS AND THE OBLIGATIONS OF THE GUARANTOR EXPRESSED HEREIN OR IN THE OTHER LOAN DOCUMENTS SHALL BE IN ADDITION TO AND NOT IN LIMITATION OF THOSE PROVIDED BY APPLICABLE LAW.

8.11. This Guaranty may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, but all such counterparts shall constitute but one and the same agreement. Guarantor hereby acknowledges receipt of a true, correct and complete counterpart of this Guaranty.

8.12. The Administrative Agent acts herein as agent for itself, the Banks and any and all future holders of the Obligations.

8.13. WAIVER OF JURY TRIAL. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY OTHER DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY; THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTY.

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8.14. Additional Secured Borrower Obligations; Additional Secured Borrower Indebtedness. Guarantor agrees and acknowledges that for purposes of the Revolving Credit Loan Documents, each reference to Additional Secured Borrower Obligations and Additional Secured Borrower Indebtedness thereunder shall be deemed to refer to any and all obligations of the Guarantor hereunder however created arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due, and each reference to any or all such obligations of the Guarantor hereunder shall be deemed to refer to the Additional Secured Borrower Obligations and the Additional Secured Borrower Indebtedness thereunder.

* * *

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IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CONSECO, INC.

By:/s/ ROLLIN M. DICK

Name:Rollin M. Dick
Title:Executive Vice President
and Chief Financial Officer

EXHIBIT 11.1

CONSECO, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE - PRIMARY
(unaudited)

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
Shares outstanding, beginning of period	41,368,802	40,407,410	40,515,914	44,369,700
Weighted average shares issued (acquired) during the period:				
Treasury stock acquired	(310)	-	(476,246)	(3,505,042)
Exercise of stock options	23,189	6,770	1,003,876	67,774
Preferred stock conversions	336,098	-	168,920	-
Common equivalent shares related to:				
Stock options at average market price	2,350,081	1,364,110	2,331,010	1,374,812
Employee stock plans	1,016,429	867,090	1,012,400	845,528
PRIDES	7,472,384	-	6,569,249	-
Weighted average primary shares outstanding	52,566,673	42,645,380	51,125,123	43,152,772
Net income for primary earnings per share:				
Net income as reported	$50,062,000	$99,870,000	$96,410,000	$124,292,000
Less Series D preferred stock dividends	(4,412,000)	(4,607,000)	(9,018,000)	(9,213,000)
Net income for primary earnings per share	$45,650,000	$95,263,000	$87,392,000	$115,079,000
Net income per primary common share	$.87	$2.23	$1.71	$2.67

EXHIBIT 11.2

CONSECO, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE - FULLY DILUTED
(unaudited)

	Three months ended June 30, 1996	Three months ended June 30, 1995	Six months ended June 30, 1996	Six months ended June 30, 1995
Weighted average primary shares outstanding..............	52,566,673	42,645,380	51,125,123	43,152,772
Incremental common equivalent shares:				
Related to options and employee stock plans based on market price at the end of the period............	382,640	24,632	793,285	12,334
Related to Series D convertible preferred stock........	8,556,340	8,893,530	8,724,769	8,893,530
Weighted average fully diluted shares outstanding.......	61,505,653	51,563,542	60,643,177	52,058,636
Net income for fully diluted earnings per share..........	$50,062,000	$99,870,000	$96,410,000	$124,292,000
Net income per fully diluted common share................	$.81	$1.94	$1.59	$2.39

ARTICLE 7

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

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS	
FISCAL YEAR END	DEC 31 1996	
PERIOD END	JUN 30 1996	
DEBT HELD FOR SALE	12,500,800	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	82,300	
MORTGAGE	620,700	[1]
REAL ESTATE	0	
TOTAL INVEST	14,036,800	
CASH	0	
RECOVER REINSURE	95,000	
DEFERRED ACQUISITION	1,770,700	[2]
TOTAL ASSETS	17,426,300	
POLICY LOSSES	12,821,900	
UNEARNED PREMIUMS	205,100	
POLICY OTHER	225,900	
POLICY HOLDER FUNDS	294,000	
NOTES PAYABLE	1,249,500	[3]
COMMON	183,400	
PREFERRED MANDATORY	0	
PREFERRED	536,500	
OTHER SE	557,000	[4]
TOTAL LIABILITY AND EQUITY	17,426,300	
PREMIUMS	741,400	
INVESTMENT INCOME	561,900	
INVESTMENT GAINS	2,900	[5]
OTHER INCOME	58,100	[6]
BENEFITS	846,200	[7]
UNDERWRITING AMORTIZATION	99,100	[8]
UNDERWRITING OTHER	122,000	
INCOME PRETAX	221,500	
INCOME TAX	84,300	
INCOME CONTINUING	137,200	
DISCONTINUED	0	
EXTRAORDINARY	(17,400)	
CHANGES	0	
NET INCOME	96,400	
EPS PRIMARY	1.71	
EPS DILUTED	1.59	
RESERVE OPEN	0	
PROVISION CURRENT	0	
PROVISION PRIOR	0	
PAYMENTS CURRENT	0	
PAYMENTS PRIOR	0	
RESERVE CLOSE	0	
CUMULATIVE DEFICIENCY	0	

[1] Includes $311,000 of mortgage loans and $309,700 of credit tenant loans.

[2] Includes $561,200 of cost of policies produced and $1,209,500 of cost of policies purchased.

[3] Includes (i) notes payable of Conseco of $670,000 and (ii) notes payable of Bankers Life Holding Corporation of $297,900 and Partnership II of $281,600 which are not direct obligations of Conseco.

[4] Includes retained earnings of $612,700, offset by net unrealized depreciation of securities of $55,700.

[5] Includes net realized gains of $10,200 and net trading losses of $7,300.

[6] Includes fee revenue of $20,100, restructuring income of $30,400 and other income of $7,600.

[7] Includes insurance policy benefits of $544,500, change in future policy benefits of $12,000 and interest expense on annuities and financial products of $289,700.

[8] Includes amortization of cost of policies purchased of $55,300, amortization of cost of policies produced of $31,500 and amortization related to realized gains of $12,300.

	Conseco as reported	Pro forma adjustments reflecting various other transactions	Conseco pro forma totals (before LPG Merger)
Revenues:			
Insurance policy income	$ 741.4	$ -	$ 741.4
Investment activity:			
Net investment income	561.9		561.9
Net trading losses	(7.3)		(7.3)
Net realized gains	10.2		10.2
Fee revenue	20.1		20.1
Restructuring income	30.4		30.4
Other income	7.6		7.6
Total revenues	1,364.3	-	1,364.3
Benefits and expenses:			
Insurance policy benefits	544.5		544.5
Change in future policy benefits	12.0		12.0
Interest expense on annuities and financial products	289.7		289.7
Interest expense on notes payable	54.2	(1.2) (1) (1.6) (2)	51.4
Interest expense on investment borrowings	8.6		8.6
Amortization related to operations	99.5		99.5
Amortization related to realized gains	12.3		12.3
Other operating costs and expenses	122.0		122.0
Total benefits and expenses	1,142.8	(2.8)	1,140.0
Income before income taxes, minority interest and extraordinary charge	221.5	2.8	224.3
Income tax expense	84.3	1.0 (3)	85.3
Income before minority interest and extraordinary charge	137.2	1.8	139.0
Less minority interest	23.4	.1 (4)	23.5
Income before extraordinary charge	$ 113.8	$1.7	$ 115.5
Earnings per common share and common equivalent share:			
Primary:			
Weighted average shares outstanding	51.1	.9 (5)	52.0
Income before extraordinary charge	$2.05		$2.05
Fully diluted:			
Weighted average shares outstanding	60.6	.9 (5)	61.5
Income before extraordinary charge	$1.88		$1.88

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

CONSECO, INC. AND SUBSIDIARIES
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

BASIS OF PRESENTATION

The unaudited pro forma consolidated statement of operations for the six months ended June 30, 1996, of Conseco, Inc. ("Conseco" or the "Company") is presented as if the following transactions had occurred on January 1, 1995: (i) the issuance of 4.37 million shares of Preferred Redeemable Increased Dividend Equity Securities, 7% Convertible Preferred Stock ("PRIDES") in January 1996; and (ii) the BLH tender offer for and repurchase of its senior subordinated notes due 2002 and related financing transactions completed in March 1996.

The pro forma consolidated financial statements are based on the historical financial statements of Conseco and should be read in conjunction with its respective financial statements and notes included in Conseco's Form 10-Q for the quarterly period ended June 30, 1996. The pro forma data are not necessarily indicative of the results of operations of Conseco had those transactions occurred on January 1, 1995, nor the results of future operations.

In March 1996, Conseco and Life Partners Group, Inc. ("LPG") signed a definitive merger agreement, whereby LPG would become a wholly owned subsidiary of Conseco (the "Merger"). The Merger was consummated on August 2, 1996. These pro forma consolidated financial statements do not include the pro forma effect of the Merger.

PRO FORMA ADJUSTMENTS

(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 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 agreement 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 $400 million revolving credit agreement	$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.

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